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# Massport 1980 Annual Report

The Annual Report of the Massachusetts Port Authority for the fiscal year ending June 30, 1980.





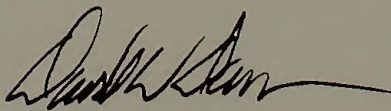


"The 1980 fiscal year was impressive for Massport for two important reasons. First, we outperformed fiscal 1979 in virtually every area of activity: in airline passengers, in airhorne cargo, in seaport shipments, in fish landings. These gains are especially impressive when viewed in the context of the troublesome energy and economic conditions of the past year.

"Operating an extremely energy-sensitive business, Massport and its users were forced to live with a 60 percent increase in regional fuel costs. Some of the airlines, our largest users, suffered heavy losses. Corporate profits nationally were down, as the Gross National Product declined. The inflation rate was 13 percent, and the economy experienced a short-term downward cycle.

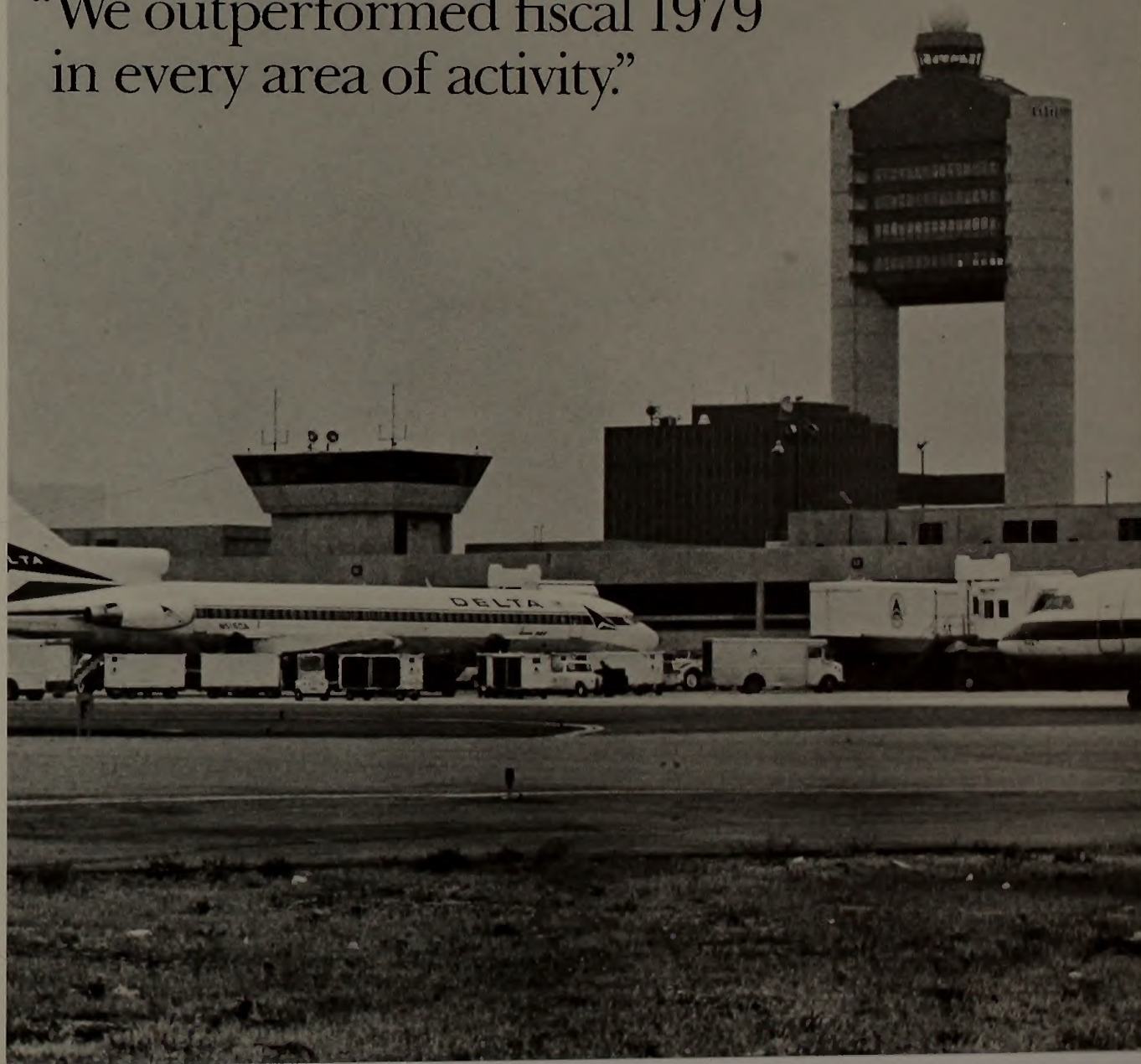
"Second, in the face of these difficult conditions, Massport was, through sound management, able to undertake a major development program that rivals any in the Authority's 21-year history. This year alone, we generated \$30 million in cash for reinvestment in our airport, seaport, bridge, and harborside properties. This is strong testimony to the strength and stability of the Massachusetts Port Authority.

"That strength and stability allowed Massport to continue its mission: to stimulate our regional economy and create employment opportunities as we provide the highest calibre and most environmentally responsible transportation and trade services for the people of New England."



David W. Davis  
Executive Director  
Massachusetts Port Authority

"We outperformed fiscal 1979  
in every area of activity."

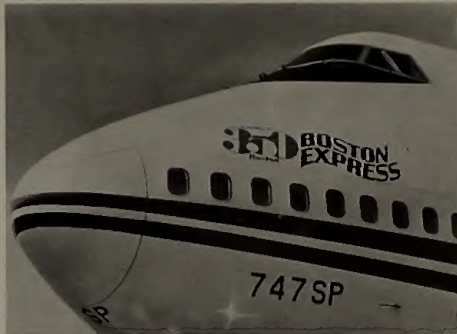








# “We made Boston Logan the fastest growing international gateway on the East Coast.”



TWA salutes Boston's 350th birthday on new aircraft bound for Paris and Rome.



New Massport Shuttlebuses highlight improved ground transportation system which cuts travel time around Logan Airport in half.

Boston Logan International Airport is now the fourth busiest international gateway in the country, trailing only New York, Miami, and Los Angeles in the number of passengers coming from or going to foreign cities.

More than two million international travelers passed through Logan in calendar 1979—an increase of 12 percent over the previous year and a surge that made the airport the fastest growing international gateway on the East Coast. With nearly 400 international flights every week, Boston now offers single-plane service to 17 European cities, from Athens to Zurich.

In April, 1980, Northwest Airlines inaugurated weekly, non-stop 747 service to Shannon, Ireland. In May, Boston became the home base for TWA's fleet of three new 747 SP (Special Performance) aircraft flying expanded service to Paris and Rome. In June, Braniff International increased its summer European schedule to ten flights per week—25 percent more flights than in the summer of '79.

## America's 10th busiest airport.

Now the tenth busiest airport in the nation, Logan also showed impressive gains in new domestic service and passenger traffic.

Domestic service introduced at Logan included Delta's new service to Orlando, TWA's to Miami/Ft. Lauderdale, Orlando, Houston, and San Diego, USAir's to Phoenix and San Antonio, Northwest's to Orlando and Ft. Myers, Braniff's to Dallas/Ft. Worth, and Piedmont's widened service to mid-Atlantic and southeastern markets.

In addition, Eastern Airlines introduced Boston/New York travelers to the 280-passenger Airbus 300 on its shuttle service. The quietest plane at Logan, the Airbus burns 25 percent less fuel per seat than conventional shuttle craft, meets advanced federal noise standards, and fills the shuttle's growing need for seats.

During the twelve months of 1979, Boston Logan averaged 692 domestic flights per day and experienced a nine percent hike in passenger traffic, keeping it well ahead of the 7.7 percent national growth rate for the same period.

Record growth at Logan did not happen by accident, observed Dr. Julius Maldutis, airline analyst for Salomon Brothers investment company. "The people who own and operate Logan—Massport—have the financial resources and managerial skills not only to plan for orderly growth, but to make it happen as well," he said.



# **“We convinced the British and American governments to restore Boston-London air service.”**

Following a 2-year campaign waged by Massport, negotiators for the British and American governments agreed to liberalize their “Bermuda II” aviation agreement, restoring the right for a second U.S. airline to fly between Boston and London.

The amended pact elevated Boston to the rank of New York and Los Angeles, the only other American cities to enjoy dual U.S. carrier service to London under Bermuda II in 1980.

Prior to Bermuda II, Boston had two U.S. airlines offering service to London: TWA and Pan Am. The agreement, signed in 1977, stipulated that only two American cities could offer London flights on domestic carriers, stripping Boston alone of valuable London service.

TWA was designated the sole U.S. carrier to serve the Boston-London route, and Pan Am—with a 31-year history in Boston—ceased all Logan operations and terminated 100 Boston-based employees.

The loss to New England of an estimated \$10 million annually in tourism revenue prompted Massport to launch a major international effort to restore the service. With determined support from U.S. House Speaker Thomas P. O'Neill, the New England Congressional Caucus, and the region's

business leaders, Massport pressed Boston's case with the U.S. State Department, the Civil Aeronautics Board (C.A.B.), and the White House.

## **“The people of New England won.”**

“Massport spent two years fighting Bermuda II,” Marvin Cohen, chairman of C.A.B. declared. “Their hard work helped us liberalize the agreement, and the people of New England won.”

On March 5, 1980, Bermuda II was amended to permit an additional U.S. airline to fly the Boston-London route, thereby creating new airline industry jobs and bringing a record number of European travelers to New England.

The C.A.B. awarded the route, on a temporary basis, to World Airways which on June 1, 1980, introduced daily, non-stop DC-10 service from Boston to London's Gatwick Airport, as well as daily West Coast service to Los Angeles/Oakland via Newark/Baltimore.



Logan greeted more than 2 million international travelers last year, nearly 350,000 of whom flew the London-Boston route.



## “High technology companies discovered an airport right in their own backyard.”

Massport's second airport, Hanscom Field, is the second busiest airport in New England, with nearly a quarter of a million operations during calendar 1979—the vast majority of which were general aviation flights.

Located 18 miles northwest of Boston in the heart of Massachusetts' flourishing high technology country, Hanscom was used last year for 15,000 corporate operations, a notable increase over the previous year. Firms such as Gillette, Raytheon, Digital Equipment, and Honeywell operate extensive daily flights using their own corporate aircraft.

Keeping pace with the significant increase in civilian aircraft activity at Hanscom, Massport worked closely with airport users and with residents of neighboring communities to draft noise control regulations governing Hanscom operations. Passed by the Massport Board in mid-1980, after two years of careful consultation with the Hanscom Field Advisory Committee, the new rules encourage use of quieter aircraft and discourage late night operations.

Adoption of the new regulations in the same year that use of the airfield grew so dramatically underscores Massport's dedication to the orderly development of Hanscom. “We're pleased Hanscom has become such a valuable transportation asset,” Executive

Director David W. Davis said. “The new noise regulations recognize the need to encourage quiet operations as we respond to the growing general aviation requirements of the business community.”



Members of the Hanscom Field Advisory Committee who advised Massport, along with airport users, on new noise control regulations for Hanscom Field.





# "We lifted over 500 million pounds of air cargo."

Boston Logan International handled a record 500.2 million pounds of air freight and mail in fiscal 1980, making it the eighth leading airport in the country in cargo tonnage.

International shipments rose 10 percent during the 12 months of 1979, as Northwest Airlines inaugurated 747 all-freighter service to Manchester, England, and Flying Tigers opened Logan's first through-to-Asia widebody freighter service.

The continued growth in airfreight lift capability, coupled with new routes, keeps Logan in step with the region's thriving high technology companies, more than 1,000 of which shipped their valuable cargoes through Boston Logan in fiscal 1980.

## More lift, less noise.

To meet cargo demand, Massport is exploring a number of development options on the 65-acre landfill on Logan's southern perimeter known as Bird Island Flats. Development of the Flats, according to Massport Aviation Director William C. Coleman, will provide Boston with "the most modern, comprehensive airfreight handling facilities in the country, supporting Logan's position as one of the nation's dominant cargo airports."

As cargo volume at Logan maintains its growth, especially with the development of the Flats, Massport does not foresee significant increases in the number of Logan operations. Coleman explained: "The economic pressures of soaring fuel costs dictate use of quieter, more fuel-efficient widebody aircraft. This means fewer operations are necessary to generate the same or greater lift."

## A Tiger grows quietly.

The best example of this phenomenon is Flying Tigers' new service to the Orient on 747-100 aircraft: These new freighters carry twice the cargo of the DC-8's previously in service, thereby adding to Logan's lift without adding to Logan's operations. Because the new aircraft also meet federal and Massport noise regulations, Flying Tigers is free to operate its new freighters at any time of the day or night. In dedicating its new service at Logan, the world's leading all-freight carrier used the slogan, "A Tiger Grows Quietly."



Flying Tigers 747 jumbo jetfreighter, with maximum 112 ton capacity, being loaded at Logan International. Tigers gave Boston major prime-time lift with new through-to-Asia service.











# “We launched two multi-million dollar seaport container terminals. One will open in 1981.”



In the first major seaport development project in Boston Harbor since 1972, Massport began initial construction work on its \$15 million container terminal at Castle Island in South Boston.

Due to open in mid-1981, the single-berth, two-crane complex with a 1,000-foot wharf will be able to work the most modern container ships afloat and will offer ten acres of paved storage for chassis-mounted containers. With a capacity of 15,000 containers per year, the new terminal will increase container-handling capability in the Port of Boston by 20 percent and ease shipping pressures on Massport's Moran Container Terminal in Charlestown.

In anticipation of the new Castle Island facility, several steamship lines have requested guaranteed berths at the new terminal.

## **Massport Marine Terminal**

Following successful negotiations with the City of Boston, Massport also launched a large-scale seaport construction project to create a 47-acre container terminal at the site of the old South Boston Naval Annex.

Massport Marine Terminal, as it will be called, is scheduled for full container operations in the 1990's, following interim use during the 1980's for open storage of general and neo-bulk cargo behind its 2,700-foot wharf.

The initial stages of construction, beginning in September of 1980, call for the removal of the original finger piers, rehabilitation of the 11-acre north jetty, and erection of a half-mile long dike beyond the existing pier face. Once the dike is completed, in mid-1981, 36 acres of Boston Harbor will be filled with nearly two million cubic yards of earth—much of which will be provided by the MBTA from its Southwest corridor excavation.

The environmental review process for a project of this magnitude—normally 35 to 45 months—has been extraordinarily expeditious. All issues between public agencies and private community groups were settled and permits issued within 12 months.

When fully developed for exclusive container use, the Massport Marine Terminal will handle more than 80,000 containers per year, enlarging container capacity in the Port of Boston more than 50 percent beyond its present level.



# “We moved a record volume of cargo through the Port of Boston.”

Moran Container Terminal remained one of the most heavily used container berths in the North Atlantic, handling 601,000 tons of containerized cargo in fiscal 1980—another record year for New England’s only public container terminal. Export cargo through the terminal increased by an impressive 24 percent, reflecting New England’s improving balance of trade.

Presently operating 30-40 percent beyond its optimum capacity, Moran is undergoing a number of equipment, structural, and systems changes to maximize efficiency and minimize delays.

The Authority’s Maritime Department, directed by Martin C. Pilsch, Jr., expanded the terminal’s maintenance and repair facilities, increased storage space, refined container control procedures, and streamlined truck traffic patterns.

In addition, Massport authorized the purchase of new equipment, designed to meet the demand for high-speed container handling in the highly competitive seaport industry. The new equipment includes: a 300-ton-capacity P&H mobile gantry crane equipped to handle containers and supplement the 45-ton Paceco and 70-ton Hitachi cranes, as well as to work heavy lifts; three new LeTourneau yard cranes to work alongside the two others now in service; and two new heavy-duty, top-lifting machines.

With all the new machinery now on line, Massport has replaced more than one-half of all the equipment in operation at Moran in 1978.

## New steamship service.

The Port of Boston also attracted new steamship lines: Hapag-Lloyd, one of the largest container operators in the North Atlantic, began working Halifax to Boston with weekly feeder service to northern Europe. At Castle Island, Subaru began off-loading imported automobiles originally destined for New York ports.

At Moran, Argentine Lines, serving South America, was added to the roster of steamship lines offering new service in fiscal 1980. And Sea Speed Service made its first Boston call, unloading 12 million pounds of newsprint bound for *The Boston Globe*.

Mindful of the worldwide lumber shortage, Massport’s Maritime Department organized a program to capture for the Port of Boston some of the 89 million board feet of New England hardwood and softwood now leaving the region through Canadian ports. The Authority’s efforts, including sponsorship of a regional “lumber seminar,” resulted in a notable increase in containerized lumber being exported through the Port of Boston.



Imported automobile being off-loaded at Massport’s Castle Island Terminal in South Boston.





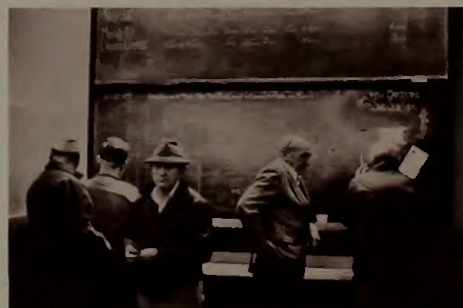








## "We're building a stronger future for Boston's fishing industry."



Since 1915, the men of the Boston fishing industry have bought and sold fresh fish at a morning auction in the Boston Fish Exchange Building. The Pier revitalization will create an additional 2,000 industry-related jobs and stabilize another 800 jobs.

Boston's unique Fish Pier celebrated its 65th anniversary in style in 1980 as Massport completed the first phase of a 3-year modernization of the Pier, the anchor in Boston's resurgent fish processing industry.

Massport's \$12 million rehabilitation project, which includes \$6.5 million in federal Economic Development Administration funds, has also triggered an additional \$8 million in private investment at the Pier. The \$20 million in combined public and private investments make it one of the largest fishing port projects in the nation.

Massport, which purchased the Fish Pier in 1972, expects to complete its construction and rehabilitation work on the facility without disturbing the ongoing fish processing activity.

Frank Byrnes, president of the 26-member Fish Pier Tenants Association, said, "Massport has worked diligently to create a modern facility that meets our needs. Reconstruction work is scheduled to create as little disruption to normal business as possible."

### Signs of the renaissance.

Since Massport undertook the Pier modernization in the summer of 1979, buoyed by the new 200-mile fishing limit law, many signs point toward a renaissance of Boston's long-dormant fishing trade.

Fish landings are up significantly: 16 percent in the first six months of 1980 and 36 percent since Massport initiated the revitalization project.

Fishing-related employment opportunities are opening up at and near the Pier. Boston's fishing fleet is expected to increase 30 percent by 1981.



Private investment has increased dramatically. Caribou Industries, a major Canadian processor with \$70 million in annual sales, was successfully encouraged by Massport to locate its U.S. base adjacent to the Pier.

O'Connell Seafood, another private investor attracted by the revitalization, anticipates employing 275 people in 1981 at its new ship repair and ice plant operations adjacent to the Pier, and on board eight new fishing vessels the firm has purchased. Company president John O'Connell flatly predicted: "We're going to make this the number one fishing port on the East Coast in five years."



# “Automobile drivers who crossed our Bridge in 1980 paid the same toll they paid in 1953.”

In fiscal 1980, Massport's Tobin Memorial Bridge remained a strong link in the region's transportation network—carrying 24 million vehicles—and was the only toll-taking facility in the Commonwealth which did not raise its use charges for automobiles.

According to Bridge Director Kenneth Pearson, traffic on the 2-mile structure between Boston's Charlestown neighborhood and the city of Chelsea was off a slight one percent, understandable in view of a 60 percent hike in regional fuel costs during the last fiscal year.

For the 27th consecutive year, Massport was able to hold the line on charges for automobiles using the Bridge: Tolls remained 25 cents per crossing for passenger vehicles and 15 cents for commuters. At the same time, tolls, turnpike charges, and public transportation fares administered by other authorities were increased substantially during fiscal 1980.



Frank Falzone of Everett has been taking quarters at the Tobin Memorial Bridge since 1969. Passenger car tolls on the Bridge have remained unchanged since 1953.









## “We won New England’s first Foreign Trade Zone designation.”

In June, 1980, New England’s first Foreign Trade Zone opened at Massport’s Commonwealth Pier, culminating a 2-year effort by the Authority to create new economic opportunities for New England businesses interested in international trade.

At the FTZ, foreign merchandise can be exhibited, stored, assembled, or used without being subject to U.S. customs duties. Duties are not paid until or unless the goods enter Customs territory from the Zone, and goods exported from the Zone leave duty-free.

While the Boston FTZ was created for use by Boston-area businesses, Massport found a

way to use a provision of FTZ regulations to aid the economy of southeastern Massachusetts. Massport issued special sub-Zone authority to a Fall River textile firm interested in finishing work on goods brought in from overseas. With sub-Zone designation, the company expects to expand its plant and increase its workforce 20 percent by 1983.

Robert Karam, President of Jobs for Fall River, Inc., praised the Authority’s creativity: “The significance of Massport’s action is that it brings a new type of business into the city. It gives us a chance to do some foreign work. We are delighted.”



Commonwealth Pier, New England’s only passenger ship pier, is also the site of New England’s first Foreign Trade Zone, which was designated in June, 1980.



## “Our Small Business Export Program became a model for national legislation.”



Massachusetts Congressman J. Joseph Moakley (second from left), and Massport Director Davis (center), join members of U.S. House Small Business Committee and Massachusetts businessmen at Boston hearings on bill filed by Moakley to create national export program patterned after Massport-SBANE success.

In September, 1977, Massport, in conjunction with the Smaller Business Association of New England, launched an innovative program to help small businesses in New England learn how to market their goods and services overseas.

Three years later, Massport's Small Business Export Program (SBEP) had taken representatives of 31 carefully selected firms on five foreign trade missions to meet with business officials from 14 different European countries. The result: millions of dollars in export sales for participating firms and national recognition for Massport.

Federal legislation to establish a national export aid program patterned after Massport's was filed in January, 1980, by Congressman J. Joseph Moakley of Massachusetts and Senator Gaylord Nelson of Wisconsin. Four months later, Massport Executive Director David Davis was the leadoff witness at Congressional hearings on legislation to provide federal grants to state agencies and authorities which adopt similar export assistance programs.

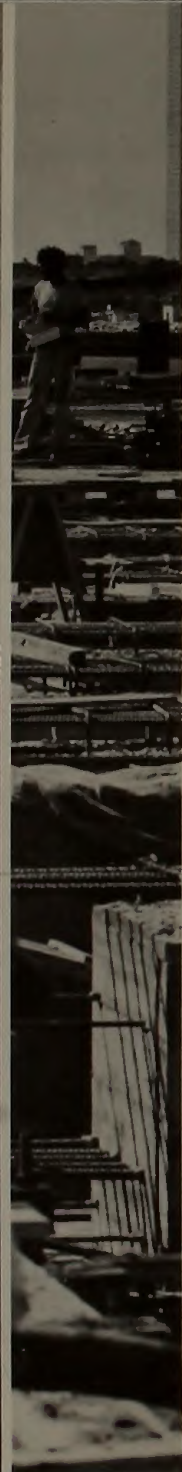
### Presidential citation.

In May, 1980, the Small Business Export Program was nominated for the Presidential "E" Award – for export services – by the U.S. Department of Commerce. The Governor of Massachusetts, writing about SBEP in

July, 1980, said: "Massport has taken the lead in helping small companies export their products and services. These efforts have resulted in the creation of new jobs, and we expect to dramatically increase those statistics in the future."

Massport and the Commonwealth are engaged in a close partnership at the Authority's European office in Brussels, where a newly installed representative of the Massachusetts' Foreign Business Council is promoting the state's interests abroad.









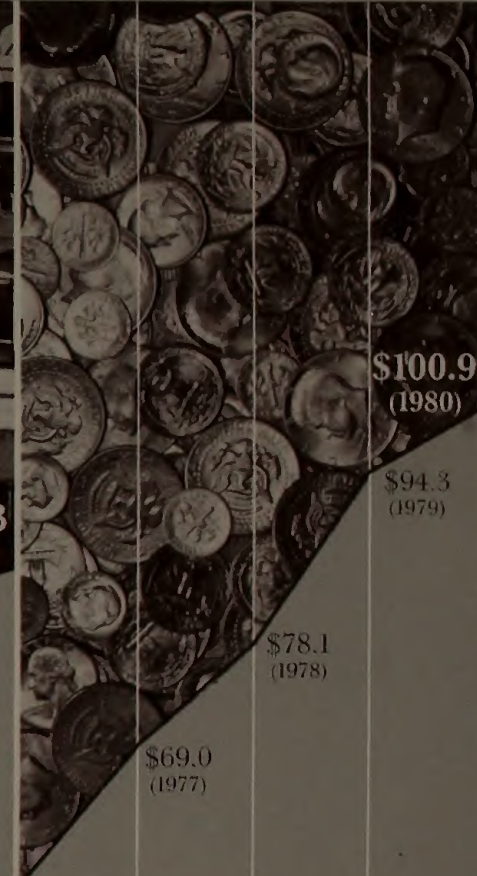
Passengers  
(millions)



Air Freight  
(millions of pounds)



Seaport  
(containerized cargo, thousands of tons)  
\*Two-month dock strike closed port.



Revenues  
gross (millions)

Five years of impressive performance.



## “We lived more quietly with our neighbors.”

Logan International Airport, as it served record numbers of domestic and international travelers, remained the nation's leading airport in the percentage of aircraft complying with federal (F.A.R.-Part 36) noise regulations. At the end of June, 1980, 60 percent of all Logan operations were conducted on F.A.R.-Part 36 aircraft, moving Boston Logan well ahead of the 42 percent national average.

New noise control regulations were adopted by the Massport Board in mid-1980 for both Logan and Hanscom airports, following consultation with aviation interest groups, the Community Advisory Committee (representatives of 12 communities affected by Logan), and the Hanscom Field Advisory Committee (a similar group of Hanscom's neighbors).

Massport also worked with the Community Advisory Committee and the Federal Aviation Administration, which controls air-

space above Logan, to develop an innovative departure route for aircraft using runway 22-Right. Adoption by the FAA of an “over the ocean” takeoff route, which has environmental benefits, allowed Logan operations to continue without affecting normal air service patterns or safety.

“Our progress in this difficult area,” Massport's Davis said, “proves that positive solutions can be found for some of the environmental problems created by Logan – solutions that are consistent with Massport's commitment to meet the transportation needs of our state and regional economy.”









60. x

60. x

8. =

480.

480. +

1080. +

720. +

MONTH

BUDGET

PCT

TOBIN BRIDGE

\$ 32,540

6.7

ADMINISTRATION

\$ 96,318

4.6-

OPERATIONS

\$ 48,403

7.8-

MAINTENANCE

\$ 3,680

30.2

UTILITY CLEARING CENTER

\$ 180,941

2.7-

TOTAL TOBIN BRIDGE

Check  
repair  
schedule

salary

salary savings

salary (157) + rep

electricity

8400. +  
1500. +  
16000. +

003

25900. \*

351975. +  
10860. +  
57561. +  
1500. +  
20895. +  
14160. +  
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007

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346894. +  
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236016. +  
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006

630858.

18910. +  
150. +  
155400. +  
920. +  
17000. +  
50348. +

1,827 1,861

1,827 1,861

YEAR

TO

BUDGET

540

96,318

48,403

3,680

941

\*



## "We lived within our budget. Again."



Thomas Manning, licensed steam fireman, checks the boiler controls at the Logan heating plant which manufactures steam and chilled water for the entire airport.



Gary Tobin guides Delta 2000, Massport's computer, which regulates lighting and temperatures throughout Logan's terminals.

At the end of fiscal 1980, Massport expenditures were exactly on budget. This achievement, remarkable in view of an inflation rate of 13 percent, was the result of rigorous management, efficient energy use, and careful financial planning.

Massport undertook quarterly budget reviews with department managers—not only to monitor expenditures, but to chart the progress of departmental programs and projects.

### **Saving energy.**

Significant energy savings were achieved through a variety of means: The stepped-up use of interruptible gas in boilers at Logan to cut oil consumption, a modernized system of billing that allowed improved recovery of utility costs, and use of the Delta 2000 computer to automate temperature controls and lighting conditions throughout Logan's terminals.

### **Making Logan more attractive.**

By holding the rise in landing fees paid by Logan's carriers to a modest five percent, Massport was able to lower the real cost (after inflation) of doing business at Logan. By imposing a minimum daily-use charge for all users of Logan, Massport was able to

allocate more fairly the cost of maintaining a major international hub airport. Besides its potential to decrease congestion, improve airport efficiency, and contribute to even greater safety at Logan, the minimum-use charge helps preserve the limited facilities of Logan for the benefit of the greatest number of people.

"Logan is a scarce resource," Massport Director David Davis explained. "We are determined to use it intelligently for operations with the greatest economic importance to the region—passenger and cargo operations."

### **Helping the Boston taxpayer.**

In January, 1980, Massport presented a check for \$3.8 million to the City of Boston as an "in-lieu-of-tax" payment. This second annual payment (\$3.5 million was paid in 1979) recognizes the Authority's use of real estate in Boston, helps relieve the property tax burden for the City's residents and businesses (amounting to \$2.16 on the Boston tax rate), and adds predictability to Massport's own financial planning. The City of Chelsea also received a similar "in-lieu-of-tax" payment in September, 1979 of \$180,000.





New \$15 million Castle Island container terminal, due to open in mid-1981, will create some 500 industry-related jobs. Over the next five years, all Massport development activities are expected to produce 10,000 new jobs.





One of the 100 construction workers employed in Massport's \$12 million Fish Pier modernization program.

## "We created powerful economic and employment benefits for the region."

In fiscal 1980, Massport maintained its role as a powerful force in generating economic benefits and employment opportunities in Massachusetts and New England. Because the Authority continued to enjoy fiscal strength, it was able to invest a substantial sum, \$30 million, in development and maintenance at virtually all of its facilities—airport, seaport, fish pier, bridge, and elsewhere.

Over the next decade, Massport plans \$80-\$100 million in development activities, an investment that will produce nearly 10,000 new jobs and at least \$100 million annually in regional economic benefits.

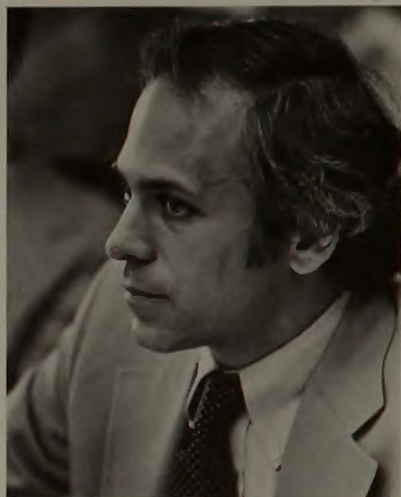
These investments include: \$25 million at the new Massport Marine Terminal, leading eventually to 2,000 seaport-related jobs and some 250 jobs per year in construction; an estimated \$50 million to develop Bird Island Flats, yielding 1,300-1,600 air freight-related jobs and requiring hundreds of construction workers; \$15 million at the new Castle Island container terminal, a project which will add 500 industry jobs when it opens in mid-1981; and \$6 million at the Boston Fish Pier, which is providing 100 construction jobs presently and will eventually trigger 2,000 jobs in fishing and related industries.

As a result of its 1978 Trust Agreement, the Authority was able to undertake these development projects during fiscal 1980 without entering the highly volatile, and usually expensive, outside money markets.

Amid this development surge, Massport expanded its Minority Business Enterprise program which resulted in \$3.7 million in contract awards for firms owned by minorities. A similar program for businesses owned by women was introduced during fiscal 1980 and produced more than \$100,000 in contracts. At the same time, Massport experienced zero growth in the number of positions within the Authority itself; its 717 positions remained unchanged from fiscal 1979.



# Members of the Massport Board.



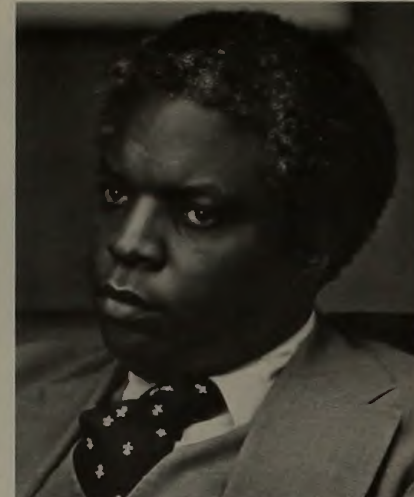
**Robert M. Weinberg**, Chairman of the Board, directs the Public Management Program at the School of Management, Boston University. He has a broad background in government service—at local, state, and federal levels. Former special counsel to Boston Mayor Kevin White (1969-1972) and head of the Mayor's policy staff, Weinberg also served as vice chairman of the Boston Industrial Development Financing Authority. Previously, he served as an assistant director of the Bureau of the Budget for the State of Illinois, and from 1966 to 1968 was with the U.S. Bureau of the Budget. He holds an MBA degree from Harvard Business School and a JD degree from Harvard Law School. His term on the Board expires June 30, 1984.



**Michael W. Christian**, outgoing\* Vice Chairman of the Board, is senior vice president of The Boston Company, the parent company for a group of financial institutions which manage \$6 billion in assets. A former vice president of Sprague Associates, and previously associated with the Boston law firm of Goodwin, Procter, and Hoar, Christian has specialized in corporate law and foreign direct investment securities. He was an aide to then-Lt. Governor Elliott Richardson and, from 1964 to 1966, was assistant legal secretary of the East African Federation of Kenya, Uganda, and Tanzania, a position that involved legal representation of East Africa's airlines and railways, income tax and customs administration. He holds a bachelor's degree from Harvard and an LLB degree from Harvard Law School. His term expired June 30, 1980.



**Ann M. Hershfang** is Vice-Chairwoman of the Board and chairs its Public Affairs Committee. As a member of the Board of the League of Women Voters of Massachusetts, she chaired a study of transportation planning and financing in the Commonwealth. She is currently on the Board of the Boston League and is a member of the Joint Regional Transportation Committee, the advisory body that oversees all transportation planning in the Boston region. She is also Vice-President of the National Organization to Insure a Sound-controlled Environment (NOISE), in charge of its relationships with industry. Hershfang holds a teaching position with the Radcliffe Seminars, and is the first woman to serve on the Massport Board. A resident of Boston's South End, she holds an AB in history from Radcliffe College and an MEd from Tufts University. Her term expires June 30, 1981.



**Denis A. Blackett** is president and founder of Housing Innovations, Inc., a Boston real estate firm which has built and rehabilitated over 1,200 units of low- and moderate-income housing in Boston and other cities since 1966. Formerly a practicing architect who once worked with Mies van der Rohe, Blackett served (1963 to 1966) as an urban designer and planner with the Boston Redevelopment Authority. There, he played a major role in the effort to achieve a balanced transportation system in the metropolitan Boston area. He holds a bachelor of architecture degree and a master of civil engineering degree from Massachusetts Institute of Technology, and won a Fulbright Scholarship to study in Italy in 1962. The first black member of the Massport Board, his term expires June 30, 1982.

\*Mr. Christian was succeeded on June 30, 1980 by Mr. Puresky. The Massport Board consists of seven members appointed by the Governor; each serves without compensation for a term of seven years.

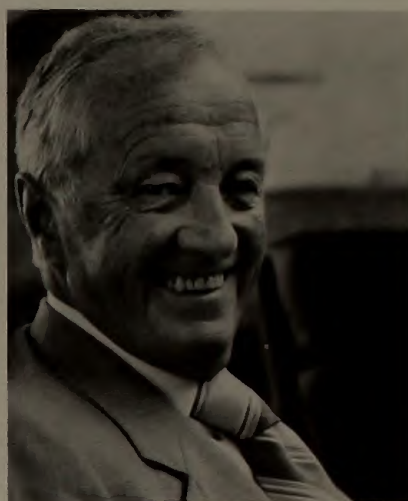




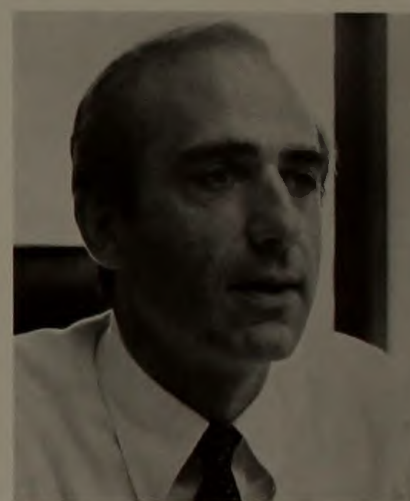
**Dr. Arthur Gelb** is president and technical director of The Analytic Sciences Corporation (TASC), in Reading, Massachusetts, a 400-person research and development firm involved in modern computer-oriented systems engineering and systems analysis. Gelb was previously associated with the American District Telegraph Company, the MIT Instrumentation Lab (now the Charles Stark Draper Lab), and Dynamics Research Corporation. He was one of the original directors of the Governor's Management Task Force, assisting in the preparation of "A Management Plan for Massachusetts." A graduate of City College of New York, he also received a masters degree in applied physics from Harvard University and a doctorate in instrumentation from the Massachusetts Institute of Technology. His term expires June 30, 1983.



**John A. Vitagliano** is Commissioner of the Boston Parks and Recreation Department, a \$15 million agency which operates and maintains the City's public parks, playgrounds, swimming pools, cemeteries, and recreational programs; previously, he served as Commissioner of the City's Housing Inspection Department. Manager of East Boston Little City Hall (1972 to 1976) and executive director of the Massachusetts Air Pollution and Noise Abatement Committee, Vitagliano brings to the Board unusual understanding of community viewpoints on operations at Logan Airport. A former consultant to the Boston Transportation Planning Review and member of the board of directors for the Boston Department of Health and Hospitals, Vitagliano is the only licensed pilot on the Massport Board. He holds a bachelor of science degree in electrical engineering from Northeastern University. A native of Winthrop, he and his wife and two children live in East Boston. His term expires June 30, 1985.



**William F. Lyden** is serving on the Board for the second time, having been a member from 1972 to 1977. Vice president and organizer for the International Brotherhood of Teamsters, Local Union #25, he is also director of DRIVE, Democratic Republican Independent Voter Education, for the union. Lyden is also administrative assistant to the Local president and business agent, and a trustee of its health and welfare fund. He serves as vice president to the International Teamsters union, as well as a representative to both the International and New England Teamsters' Airline Divisions. He is a member of the board of directors for the Massachusetts Bay United Fund. A native of Maine, Lyden and his wife make their home in East Weymouth, Massachusetts; they have eight children. His term expires June 30, 1986.



**David S. Paresky**, the newest member of the Board, is president and chairman of the board of Crimson Travel Service, New England's fastest-growing travel agency. The company, which he founded in 1965, has 300 employees and 10 offices serving the Boston, Cambridge, and metropolitan areas. A Phi Beta Kappa graduate of Williams College, Paresky was a student instructor in Economics as an undergraduate. He holds an MBA from Harvard Business School and a JD from Harvard Law School. He brings to the Board a keen mind, unusual analytic abilities, and a strong business background. Paresky is a member of the Massachusetts Bar Association, the Greater Boston Chamber of Commerce, the American Society of Travel Agents, and the New England Chapter of the Young Presidents' Organization. He also serves on the board of directors of the Governor's Management Task Force and the Massachusetts Board of Regents. His term expires June 30, 1987.





# Massport Financials

## Auditors' Report

### Coopers & Lybrand Certified Public Accountants

Massachusetts Port Authority  
Boston, Massachusetts

We have examined the balance sheets of Massachusetts Port Authority as of June 30, 1980 and 1979, and the related statements of income and changes in retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Massachusetts Port Authority at June 30, 1980 and 1979, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

Boston, Massachusetts  
September 5, 1980



# Massachusetts Port Authority

## Balance Sheets, June 30, 1980 and 1979

### Assets

	1980	1979
	<i>(In Thousands)</i>	
Cash (Note C)	\$ 346	\$ 689
Investments in U.S. Government obligations and certificates of deposit, at amortized cost, which approximates market, including accrued interest (Note C)	99,768	97,939
Accounts receivable, less allowance for doubtful accounts of \$339,000 in 1980 and \$345,000 in 1979	7,364	7,447
Prepayments and other assets	3,887	3,469
	111,365	109,544
Investments in facilities (Note D):		
Facilities completed:		
Airports	381,431	362,270
Bridge	46,382	46,244
Port (Note G)	53,326	49,871
	481,139	458,385
Less accumulated depreciation	(138,574)	(121,469)
	342,565	336,916
Construction in progress	13,940	5,822
Net investment in facilities	356,505	342,738
	\$467,870	\$452,282

### Liabilities

Accounts payable and accrued expenses	8,476	7,690
Accrued pension costs (Note F)	7,448	7,672
Accrued interest payable	8,173	8,294
Funded debt (Note E)	237,640	242,480
	261,737	266,136

### Deferred Income

1,462 1,525

### Contingent Liabilities and Commitments (Note G)

### Fund Equity (Notes B and C)

Retained earnings	178,453	163,604
Contributed capital, grants-in-aid of construction	26,218	21,017
Total fund equity	204,671	184,621
	\$467,870	\$452,282

The accompanying notes are an integral part of these financial statements.



**Massachusetts Port Authority**  
**Statements of Income and Changes in Retained Earnings**  
**for the years ended June 30, 1980 and 1979**

	1980	1979
	<i>(In Thousands)</i>	
Revenues (Note B):		
Tolls, fees and sales of services	\$ 45,824	\$ 43,940
Rentals	21,665	21,308
Concessions	21,442	20,648
Income on investments	11,152	7,587
Other	789	803
	<b>100,872</b>	<b>94,286</b>
Expenses (Note B):		
Operations and maintenance	37,104	32,827
Administration	9,113	8,911
Insurance	1,307	1,318
Pension costs (Note F)	2,407	2,260
Interest on funded debt	16,346	16,364
In lieu of taxes (Note H)	4,077	3,660
	<b>70,354</b>	<b>65,340</b>
Income before depreciation and extraordinary item	<b>30,518</b>	<b>28,946</b>
Depreciation, including \$1,436,000 in 1980 and \$1,176,000 in 1979 on assets acquired with contributed capital, grants-in-aid of construction	<b>17,105</b>	<b>16,139</b>
Income before extraordinary item	<b>13,413</b>	<b>12,807</b>
Extraordinary item:		
Gain on refunding of funded debt (will be substantially offset in future years by increased interest costs) (Note I)		45,645
Net income	<b>13,413</b>	<b>58,452</b>
Add credit arising from transfer of depreciation to contributed capital	<b>1,436</b>	<b>1,176</b>
Retained earnings beginning of the year	<b>163,604</b>	<b>103,976</b>
Retained earnings end of the year	<b>\$178,453</b>	<b>\$163,604</b>

*The accompanying notes are an integral part of these financial statements.*



**Massachusetts Port Authority**  
**Statements of Changes in Financial Position**  
**for the years ended June 30, 1980 and 1979**

	1980	1979
	<i>(In Thousands)</i>	
Funds provided from:		
Income before extraordinary item	\$13,413	\$ 12,807
Adjustments for noncash transactions:		
Depreciation	17,105	16,139
Funds provided from operations before extraordinary item	30,518	28,946
Extraordinary item:		
Gain on refunding of funded debt		45,645
Funds provided from operations	30,518	74,591
Contributed capital, grants-in-aid of construction	6,637	2,446
Sale of refunding bonds		242,480
Increase in deferred income and liabilities other than funded debt	378	4,706
Total funds provided	37,533	324,223
Funds applied to:		
Cost of facilities	30,872	12,000
Retirement of funded debt	4,840	289,195
Increase (decrease) in other assets	335	(522)
Total funds applied	36,047	300,673
Net increase in cash and investments	\$ 1,486	\$ 23,550

*The accompanying notes are an integral part of these financial statements.*



## **Massachusetts Port Authority Notes to Financial Statements**

The Massachusetts Port Authority is a public instrumentality created by an Act of the Legislature of the Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement, (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### **A. Accounting Principles:**

The Authority has adopted the accounting principles prescribed in an Industry Audit Guide, Audits of State and Local Governmental Units issued by the Committee on Governmental Accounting and Auditing of the American Institute of Certified Public Accountants (Committee) in the preparation of its financial statements.

Facilities are carried at cost, and include the expenditure of Federal Aviation Administration and Economic Development Administration grants-in-aid of construction and the cost of significant renewals and betterments. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning generally in the fiscal year following completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement. (See Note B.)

### **B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:**

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund, the Maintenance Reserve Fund, In Lieu of Taxes Fund and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.

Presented below are the fiscal 1980 and 1979 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation and extraordinary item as presented in the Statements of Income and Changes in Retained Earnings.



	Fiscal 1980				Fiscal 1979
	Bridge	Airport Properties	Port Properties*	Investment Income	Combined Total
	<i>(In Thousands)</i>				
Revenues:					
Pledged	\$5,799	\$30,266	\$ -	\$11,152	\$ 47,217
Unpledged	-	36,963	16,692	-	53,655
	\$5,799	\$67,229	\$16,692	\$11,152	100,872
Operating expenses:					
Operations and maintenance	\$1,433	\$20,077	\$15,594		37,104
Administration	570	5,623	2,920		9,113
Insurance	193	901	588		1,682
Pension costs (Note F)	274	1,717	640		2,631
	\$2,470	\$28,318	\$19,742		50,530
Excess of revenues over operating expenses					50,342
Deduct interest on funded debt and in lieu of taxes less self-insurance and pension costs					19,824
Income before depreciation and extraordinary item					\$ 30,518
					\$28,946

\*None of the revenue from Port Properties is available for debt service other than interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to the Commonwealth of Massachusetts (Note G).

The above fiscal 1979 combined total presentation represents revenues for the entire 1979 fiscal year and is allocated between pledged and unpledged based on the Authority's 1978 Trust Agreement which was effective for approximately ten months during the fiscal period.

Under the provisions of the Trust Agreement all revenues derived from operation of the Tobin Memorial

Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements of the Revenue Refunding Bonds, Series 1978, if pledged revenues are insufficient to provide the debt service requirements in any year. At June 30, 1980, unexpended pledged revenues remaining in fund balances, excluding 1978 Debt Service Fund, were \$20,291,000.



### C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1980 by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

	Cash	Investments	Total
	<i>(In Thousands)</i>		
Use defined for specific purposes:			
1978 Debt Service Fund	\$238	\$25,163	\$ 25,401
Operating Fund, including appropriations for self insurance	77	2,453	2,530
Maintenance Reserve Fund	29	21,997	22,026
In Lieu of Taxes Fund	-	2,786	2,786
Capital Budget Account	2	47,369	47,371
	\$346	\$99,768	\$100,114

See also Note B for the amount of unexpended pledged revenues at June 30, 1980.

### D. Investments in Facilities and Depreciation:

Investments in facilities at June 30, 1980 and 1979 comprise:

	1980	1979
	<i>(In Thousands)</i>	
Facilities completed:		
Land	\$ 59,305	\$ 57,222
Bridge	45,804	45,773
Buildings	263,973	255,379
Runways and other paving	97,847	89,245
Machinery and equipment	14,210	10,766
Accumulated depreciation	(138,574)	(121,469)
	342,565	336,916
Construction in progress	13,940	5,822
	\$356,505	\$342,738

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Airport facilities—buildings, runways and other paving	25 years
Port facilities—buildings and piers	25 years
Machinery and equipment	10 years



### E. Funded Debt (See Note I):

Funded debt at June 30, 1980 is comprised of:

Revenue refunding bonds, series 1978:

Maturity on July 1	Interest Rate	Amount
Serial bonds:		
	(In Thousands)	
1980	5.20%	\$ 2,345
1981	5.40	2,475
1982	5.60	2,610
1983	5.70	2,760
1984	5.80	2,935
1985	5.90	3,105
1986	6.00	3,300
1987	6.00	3,505
1988	6.10	3,720
1989	6.20	3,955
1990	6.30	4,000
1991	6.40	4,265
1992	6.50	4,545
1993	6.60	4,840
1994	6.70	5,165
1995	6.80	5,520
1996	6.80	5,905
1997	6.90	6,305
		71,255
Term bonds:		
1998-2012	7.125%	166,385
Total funded debt		\$237,640

### F. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service costs and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially calculated, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as at July 1, 1973 over a 25-year period commencing in fiscal 1974. Total pension expense so determined was \$2,407,000 in fiscal 1980 and \$2,260,000 in fiscal 1979.

The accumulated plan benefits and plan net assets at December 31, 1979 are as follows:

Actuarial present value of accumulated plan benefits:

Vested	\$15,356,000
Non-Vested	\$ 665,000
	<u>\$16,021,000</u>

Net Assets available for  
benefits \$ 7,484,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.



### **G. Contingent Liabilities and Commitments:**

Payments to the Commonwealth of Massachusetts for Port Facilities:

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1980 the amount contingently payable to the Commonwealth, not reflected in the financial statements aggregated \$17,755,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$9,000,000 in fiscal 1980, which amount has been added to such prior years' deficiencies of \$27,713,000. The cumulative cash deficit of \$36,713,000 is to be applied against future Port Properties net revenues before payments are required in future years.

Contractual Obligations for Construction:

Contractual obligations for construction were approximately \$33,188,000 at June 30, 1980.

### **H. In Lieu of Taxes:**

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston and Chelsea.

These agreements and annual extensions currently provide for payments in the base amounts of \$3,400,000 to Boston and \$160,000 to Chelsea, subject to annual adjustment through 1985 by reference to an index related to the consumer price index and Logan Airport commercial passenger enplanements. The agreements extend from fiscal 1985 through fiscal 1990, although the amount of in lieu of tax payments during this extension is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payments to the Commonwealth (see Note G), and the deposits to the Maintenance Reserve Fund.

### **I. Refunding of Outstanding Funded Debt:**

On August 30, 1978, the Authority issued \$242,480,000 of Revenue Refunding Bonds, Series 1978 (Series 1978 debt) under the 1978 Trust Agreement for the purpose of refunding its then outstanding funded debt. The proceeds from the refunding after expenses were deposited with an Escrow Agent who, upon receipt of the funds purchased direct obligations of the United States of America, thereby defeasing the 1964 Trust Agreement. The Government obligations will mature at such time and yield interest in such amounts so that sufficient monies will be available to pay principal and interest on the refunded debt as it matures.

In accordance with generally accepted accounting principles the Authority has recognized a gain on the refunding, even though the total debt service requirements (principal and interest) of the Series 1978 debt approximates the total debt service requirements of the refunded debt. Such gain will be substantially offset through increased interest costs over the term of the new bonds.



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Design:  
Design Nonpareil  
Susan Roberts  
Peter Johnson

Editorial:  
Daniel B. Payne

Photography:  
Story Litchfield  
Barry Cohen  
George J. Riley

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Typographic House

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Commonwealth Publishing Company

Massport  
99 High Street  
Boston, Massachusetts 02110  
(617) 482-2930

Massport/Europe  
Lt. Lippenslaan 66  
2200 Bergerhout, Belgium  
Telephone 31/36-56-95 Telex 35225

Massport/Japan  
New Diamond Building  
4-4 Kasumigaseki  
Chiyoda-Ku, Tokyo, 100  
Telephone 03-506-5204 Telex 78124957

Operating: Boston Logan International  
Airport - Port of Boston General Cargo  
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# **Massport**

GOVERNMENT DOCUMENTS  
COLLECTION

JUL 2 1984

University of Massachusetts  
Department of

## **Annual Report**

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The annual report of the  
Massachusetts Port Authority for the  
fiscal year ending June 30, 1983.

*This Annual Report is respectfully dedicated to the Massport Board's ongoing Vice Chairman — Dr. Arthur Gelb — whose sound business sense and strong commitment to community service have played a major role in shaping Massport policies for the past seven years.*



## ***"It's great to be back!"***

It is no secret that, for several months during fiscal 1983, Massport had to endure politically turbulent waters. As the storm settled, however, "The Port" emerged stronger and more stable than ever before.



Our outstanding management team remained in place, our unprecedented development program stayed on course, and our overall financial strength — led by Logan Airport — was never better.

Logan International Airport continued to post exceptional and record-breaking performance statistics in passenger traffic and air service. Our most worrisome problem, airport access, gained immediate relief from the new one-way toll collection system and long-term attention from Governor Dukakis' proposal to improve the Central Artery and build a new airport tunnel.

Our seaport strategy continued to pay dividends, as we reduced the port deficit, increased our cargo handling capacity, and encouraged the private sector to recycle our obsolete maritime properties. As we move toward becoming a more dominant port in the region, we are determined to offer more competitive rates and establish greater productivity at our container terminals. These changes, the history of labor relations in the Port of Boston tells us, may not be smooth. Yet, the viability and, indeed, the survival, of the Port depend upon the implementation of modern operating procedures.

Two development projects are worthy of note: BOSCOM and the Massachusetts Technology Center. It is not accidental that the Massport Board, in choosing development options, has favored those which enhance the region's technological leadership. Both of these projects, in their own way, add to the national preeminence of New England's high technology industry.

Finally, at the midpoint in this fiscal year, political stability was established at Massport, a most welcome development for the Authority, its users and investors. This new climate of cooperation between the Commonwealth of Massachusetts and Massport resulted in a most productive relationship on both one-way tolls and the Artery/Tunnel proposal, as well as in Massport's decision to manage the State's new Transportation Building.

On a personal note, I found fiscal 1983 stimulating, revealing, and ultimately rewarding. I appreciate the support of the Massport Board and staff and those outside the agency. In returning to the helm, I must confess: It's great to be back!

Sincerely,

A handwritten signature in dark ink, appearing to read "David W. Davis". The signature is fluid and cursive, with a long, sweeping underline.

David W. Davis  
Executive Director  
Massport



# A guide to Massport.

## **Logan International breaks all records.**

The new Logan International Airport terminal building, which opened in 1998, has broken all records for passenger volume and cargo handling.

*Page 4.*

## **Innovations in noise abatement.**

East Boston High School soundproofing is completed and a computerized noise allocation system gets a trial run in the Boston Tower.



*Page 8.*

**NO TOLLS AHEAD**

## **Logan South takes off.**

Ground is broken on a pioneering project, linking high technology and high-speed air freight facilities.

*Page 6.*

## **Tobin Bridge goes one-way.**

Ninety-day tryout of one-way toll proves a boon to Bridge commuters and Airport users. No revenue lost to Authority; the system gets a permanent green light.

*Page 10.*

## **The Port of Boston.**

The latest developments, including new management and marketing initiatives, are put into place.

*Page 14.*

## **Central Artery & Third Tunnel.**

Concern over restricted access to the airport and seaport prompts Massport support for \$2.2 billion improvements to Artery and new tunnel.

*Page 12.*





# FISCAL 1983



**Northern Ave. lights up.**  
BOSCOM, the international showplace for the computer and communications industry, signs valuable leases.

*Page 16.*



The Boston Fish Pier moves into the second half of its revitalization.

*Page 17.*

**A new neighbor for the Constitution.**

Hobbs Pier gains new lease on life, as plans for recycled use takes shape.



*Page 18.*

**Hanscom Field spells relief.**

Business is up, noise is down at the second busiest airport in New England.

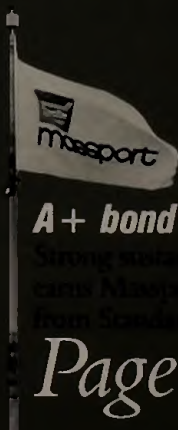
*Page 19.*



**Massport's new home.**

Along with other transportation agencies at the state, Massport will soon move its offices to a new State building managed by the Authority.

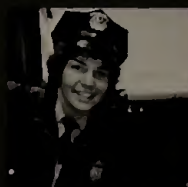
*Page 21.*



**A+ bond rating.**

Strong sustained performance earns Massport superior marks from Standard & Poor's.

*Page 20.*



**Shared success.**

*Page 22.*

**The Massport Board.**

Biographies.

*Page 24.*

**Massport Financials.**

*Page 26.*



## ***Logan International Airport: Climbing to new heights under deregulated skies.***



In fiscal 1983 Logan International Airport outperformed the previous fiscal year in every major category.

Passenger traffic rose 10 percent to a record 16.9 million travelers. Air cargo volume outweighed last year's total by 13 percent. A record number of scheduled domestic carriers, 18, and an unprecedented 17 commuter lines operated out of Logan.

Heightened airline competition, combined with a vigorous Massachusetts economy and aggressive airport marketing, produced important new service at the Boston hub. Nine carriers entered the market during fiscal 1983 alone.

A review of calendar 1982 shows that Boston may have been the principal beneficiary of airline deregulation among the nation's largest established airports. Logan grew faster than all but one (Denver) of the country's ten busiest airports, as 11 of Boston's major domestic carriers posted gains in 1982.

For the second consecutive year, Logan continued to serve as co-host of the nation's busiest air route: more than 3 million passengers flew between Boston and New York in calendar 1982.





The world's 15th busiest airport, Logan demonstrated growing international strength with an 8 percent gain in international passengers in fiscal 1983. In testimony to Boston's importance as a gateway, Swissair assigned the world's newest and largest aircraft, the 747-300, to its Boston-Zurich route.

To keep pace with greater use of the airport — which generates 70 cents out of every dollar in Massport revenues — Massport completed a major modernization of Logan's roadway and sign systems and launched an \$18 million renovation of the airport's oldest and busiest terminal.

To assure Logan users improved ground access, Massport firmly supported a new one-way tolls collection system for airport-bound traffic as well as the State's Central Artery-Tunnel proposal.





## ***Logan South: A new American revolution in high tech transportation.***

In the spring of 1983, the first spade of dirt was turned at the site of America's first high technology park at a major international airport.

Located on 20 acres of Logan South (formerly Bird Island Flats), the Massachusetts Technology Center is a \$130 million undertaking of Macomber Development Associates. The Center will house dozens of high technology firms in low-rise buildings adjacent to a major airfreight complex being developed by Massport.

The 70-acre cargo site, primed for development by \$12.5 million in Massport-financed infrastructure improvements, has already attracted two quality tenants. Northwest Orient will open a \$4.5 million, 70,000 square foot, modern cargo processing building in the fall of 1984. Federal Express is about to construct a 40,000 square foot, small-package sorting center.





By integrating high technology and high-speed cargo handling facilities, Massport is advancing the region's technological leadership by providing swift, secure access to world-wide markets.

The idea of linking the industry to its major means of transportation is attributed to William Thurston, Chairman of the Massachusetts High Technology Council and President of GenRad, Inc. He explained, "If a computer breaks down, a replacement part can be in the air in ten minutes or less."

In addition to time savings, tenants involved in import-export activity at the Center will realize cost benefits from a Foreign Trade Zone designation Massport secured for the Center.

Nearly one million square feet of space will be available at the Center for research, production, distribution, and offices, complemented by a conference hotel and public "Harborwalk" along the water's edge. The new structures will form a noise buffer, shielding nearby residents from aircraft ground disturbance.



To accommodate Logan's general aviation community, Massport completed construction of a modern terminal at Logan South, offering private and corporate users spacious office and lounge facilities, upgraded services, and direct access to the main airfield.

The new cargo facilities, when fully developed, will double Logan's air-freight handling space, providing capacity for 900 million pounds of shipments by the year 2000.

A large, dark-colored directional sign with white text and arrows. The sign is tilted slightly to the right. It lists four destinations: "General Aviation", "Mass Tech Center", "South Cargo", "Rental Cars", and "Post Office". Each destination is followed by an arrow pointing in the direction of travel. The sign is located on a road or highway, and a white train is visible in the background to the left.

General Aviation ↑  
Mass Tech Center ↑  
South Cargo ↑  
Rental Cars →  
Post Office →





## **Noise abatement: New advances against an old problem.**



Massport remained actively committed to finding ways to promote the quietest possible operation of Logan International Airport, developing two innovative programs to deal with the long-standing problem of noise.

In September 1983, soundproofing work was completed on classroom areas of East Boston High School under a \$450,000 demonstration project funded by the Federal Aviation Administration and Massport. Scientific acoustical tests showed that soundproofing reduced flyover noise in the classroom dramatically. Classroom disruptions, which previously had caused 17 percent of the school day to be lost, were all but eliminated.



Encouraged by the success of this project, Massport has requested additional FAA funding to sound-proof public schools in the communities of Winthrop, South Boston, and Chelsea.

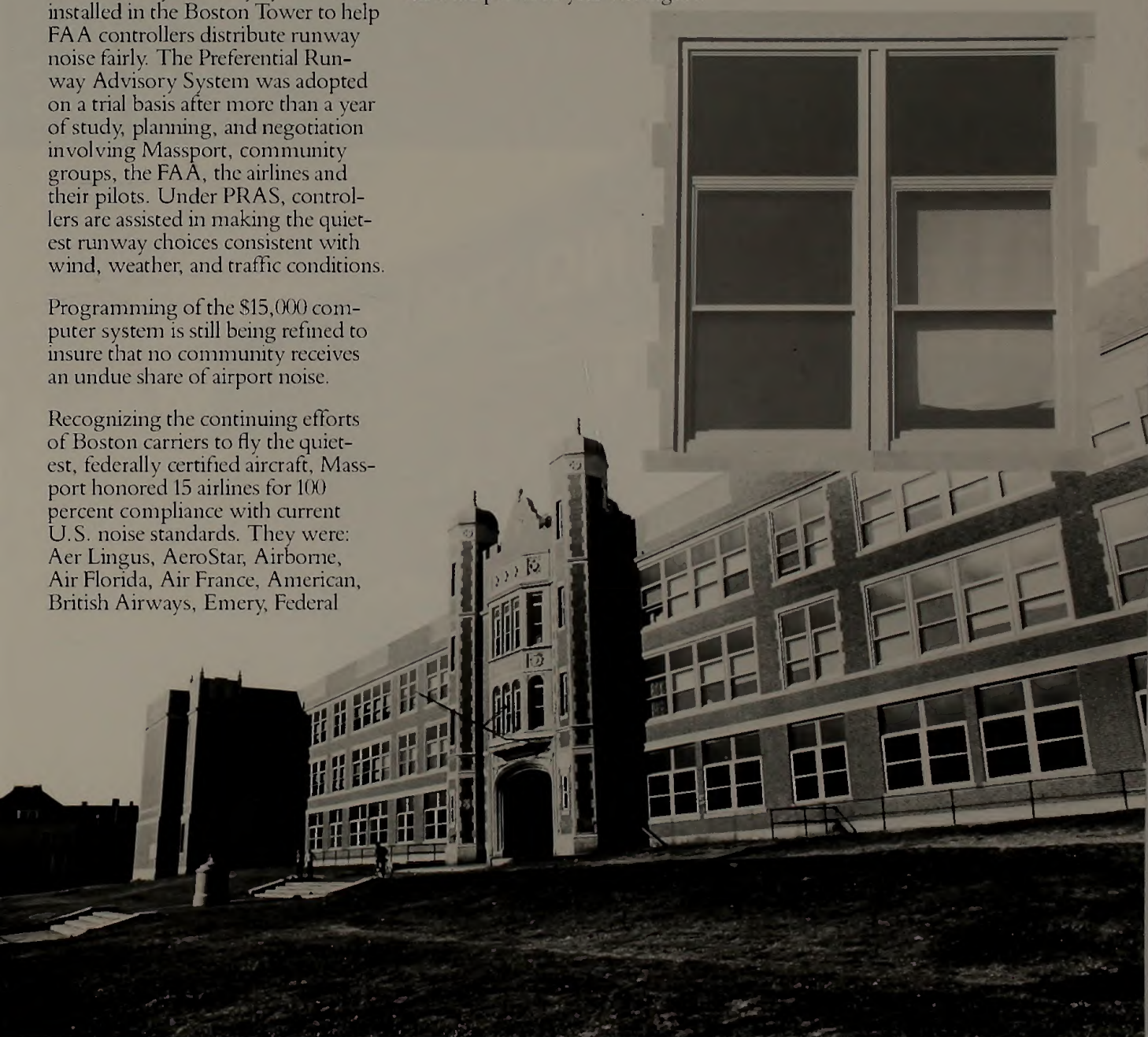
In March 1983, a special computer-aided runway advisory system was installed in the Boston Tower to help FAA controllers distribute runway noise fairly. The Preferential Runway Advisory System was adopted on a trial basis after more than a year of study, planning, and negotiation involving Massport, community groups, the FAA, the airlines and their pilots. Under PRAS, controllers are assisted in making the quietest runway choices consistent with wind, weather, and traffic conditions.

Programming of the \$15,000 computer system is still being refined to insure that no community receives an undue share of airport noise.

Recognizing the continuing efforts of Boston carriers to fly the quietest, federally certified aircraft, Massport honored 15 airlines for 100 percent compliance with current U.S. noise standards. They were: Aer Lingus, AeroStar, Airborne, Air Florida, Air France, American, British Airways, Emery, Federal

Express, Lufthansa, Northwest, PanAm, Republic, Swissair, and United Parcel Service.

Overall compliance with federal noise regulations at Logan grew to 78 percent of all operations by the end of fiscal 1983, 9 points higher than the previous year-end figure.





## ***One-way tolls: Keeping the change.***



The red tape that had ensnared one-way tolls for years was cut on May 2, 1983 when Massport and the Massachusetts Turnpike Authority joined in a one-time toll collections experiment at their bridge and tunnels, respectively.

Initiated by the State Department of Transportation, the experiment was conducted to determine if the flow of vehicles heading to the airport and out of the city to the north could be improved under the new system without imposing unacceptable burdens on the authorities involved.







At Massport's Tobin Bridge, no revenue losses occurred during the 90-day tryout, and traffic crossing the bridge in the no-toll direction experienced a 2-minute time savings on the bridge alone.

At the Turnpike's Callahan Tunnel — the main funnel for airport-bound vehicles — the absence of toll gates shaved up to 6 minutes off the tunnel trip during peak periods, a 70 percent improvement. Clogging of traffic entering the Callahan at the Boston end was virtually eliminated at all but peak times.

Traffic in the tunnel, almost half of which is airport-related, flowed up to 15 miles per hour faster, producing a 10 percent increase in tunnel capacity at peak periods.

Regular users of the bridge and tunnels were nearly unanimous in their praise for the new system. A marketing survey of 1,600 drivers showed 96 percent favored one-way tolls.

In August of 1983, the Boards of Massport and the Turnpike Authority, at the urging of Governor Michael Dukakis, held special sessions and approved permanent adoption of one-way tolls.

At the Massport meeting, Executive Director Davis singled out Board Member John Vitagliano, commissioner of Traffic and Parking for the City of Boston, for his "instrumental role" in promoting and facilitating the change.

Adoption of one-way tolls resulted in no loss of jobs for toll collectors at either crossing, as displaced workers voluntarily accepted positions elsewhere within the authorities.



## ***Central Artery and Tunnel: A new proposal earns Massport's strong support.***

"Too many people and too many goods are spending too much time on the Central Artery trying to reach or leave our facilities."

That was the message of Massport's David Davis as he joined State transportation officials in supporting major improvements to Boston's Central Artery as part of a new roadway program including a new harbor tunnel to Logan Airport.

With increasing levels of passenger use and cargo volume at the airport, worsening congestion on Boston's north-south thoroughway is seen as a significant threat to economic growth in greater Boston and the region.

Moreover, major development projects of Massport and the private sector along the Northern Avenue waterfront require a major new access road to prevent commercial vehicles from traveling on nearby residential streets.

A new tunnel alignment, proposed by the Dukakis Administration, earned Massport's support because it linked the seaport and the airport and required no loss of homes or disruptions to East Boston.





Massport therefore actively supported the new Artery-tunnel and seaport access proposal and committed staff and funds to the environmental impact and planning processes.

The \$2.2 billion project, submitted by the State for 90 percent federal funding, would, if approved, require 5,000 construction workers annually and lead to 10,000 permanent jobs on 20 acres of land covering the new underground Artery.

Completion of the entire project is expected to take 12 years from federal authorization. Transportation analysts predict the new Artery and tunnel will be able to accommodate the region's highway needs well into the 21st century.





## ***The Port of Boston: Massport launches a new course.***

In fiscal 1983, Massport continued to expand and modernize its cargo handling terminals in the Port of Boston while launching new management and marketing initiatives to strengthen its standing in the highly competitive seaport container industry.

Massport facilities include: Moran Container Terminal in Charlestown, the largest, busiest container berth in New England; Conley Terminal in South Boston, with berths leased to Sea-Land and Toyota; and Massport Marine Terminal in South Boston, now under construction and used to discharge and store road salt.







While all North Atlantic ports suffered from the sluggish worldwide economy, the Port of Boston held its own. Container volume dipped three percent overall, yet progress continued to be made against the port deficit during fiscal 1983.

Moran Terminal registered modest gains in containers, tonnage, and ship calls. Imported automobiles arriving at the Conley Terminal were up 18 percent; but lumber, reflecting a weak housing market, fell dramatically during fiscal 1983.

In order to hold down costs and step up productivity, Massport decided not to open a new container berth at its Conley Terminal until reasonable staffing levels could be established in negotiations between the shipping association and the unions involved.



The Port of Boston presents Massport with a number of marketing challenges stemming from high, fixed labor costs as well as geography, size, and a declining volume of heavy industrial goods in the region. Nevertheless, Massport is determined to recapture trade leaving the region through other ports — Boston presently handles only 43 percent of all New England ocean-borne cargo — by initiating an aggressive marketing program aimed at shippers in the region.

Because its seaport cargo terminals are vital to regional trade and commerce, handling more than 800,000 tons a year valued at \$2.3 billion, Massport will continue to expand and upgrade its container facilities. The Authority is equally committed to insuring that those facilities are managed efficiently and marketed effectively to serve New England shippers.



## ***On the waterfront: Poised for a comeback.***

### ***BOSCOM: Showplace for the information industry.***


In July 1983, Massport signed a long-term lease with FMR Properties which permits the Fidelity Group subsidiary to recycle Commonwealth Pier into a major international marketing center for the computer and communications industries.

Aimed at becoming the nation's first sales and exhibition center for information professionals, BOSCOM will, by 1985, provide 500,000 square feet of permanent showroom area and 150,000 square feet of flexible space for conventions, trade shows, special events, and visitor amenities.

In anticipation of the \$150 million renovation, major firms, led by IBM and Xerox, which signed leases for 28,000 square feet of space each, have made commitments for permanent space. While not a retail outlet, BOSCOM is expected to attract one million visitors annually.

By leasing the underused pier to the private sector, Massport is improving its own maritime financial position as it strengthens the Massachusetts economy and stabilizes the Northern Avenue waterfront.

Although the primary economic focus of the site will shift from shipping to marketing, Massport will build new docking facilities on the eastern side of the pier for cruise ships, oceanliners, and a cross-harbor water taxi. A walkway will also be added to provide public access to the Harbor.



By the end of this century, one billion dollars is expected to be invested in 100 acres of Northern Avenue waterfront between Fort Point Channel and Castle Island.

Massport, the largest landlord in the area, has played the leading role in encouraging private investment in this largely untapped section of South Boston waterfront.

In the wake of redevelopments at Massport's Commonwealth Pier and Boston Fish Pier, a number of private interests are planning new projects, including a major condominium-hotel complex by Anthony Athanas and the Hyatt Corporation, a 4 million square foot office park by Cabot, Cabot and Forbes, and renovation of Boston Wharf Properties by Rose Associates.

When these privately financed projects come off the drawing board, they will be anchored by the largest, multi-use development in Boston Harbor in the last 10 years, BOSCOM.



***Boston Fish Pier:  
Restoration of an old industry passes  
the halfway mark.***

Aimed at re-establishing Boston's fresh seafood industry, the \$19 million modernization of the 69-year-old Boston Fish Pier moved past the midpoint in fiscal 1983.

Exterior renovations to the Exchange Building were completed; the pier's original power plant was demolished and replaced by modern, underground utility systems; and more than one-third of the processing area has been upgraded and occupied by processing firms.

Because the pier offers more area than is needed for modern processing, the Exchange Building and the top floors of the East and West buildings are being converted into quality, commercial office space. Rental income will be used to support the cost of maintaining the pier's fishing operations.

Annual pier landings of 23.5 million pounds were supplemented by 35 million pounds of fish processed in Boston but landed at other piers. With Logan Airport shipping some 30,000 pounds of fresh fish daily, the Boston Fish Pier continues to emerge as a national distribution center for New England seafood.





## ***Hoosac Pier: Abiding by the Constitution.***

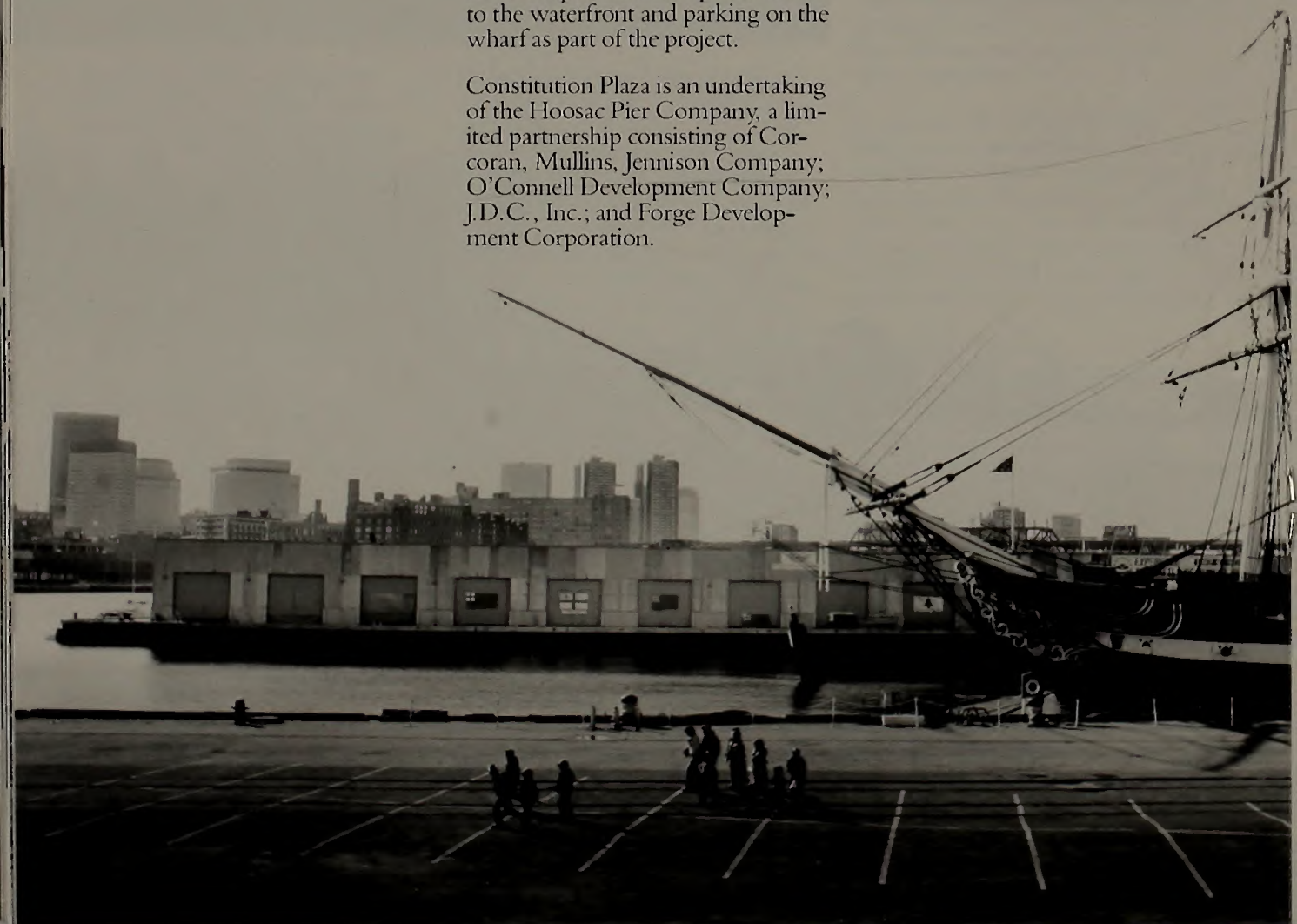
Hoosac Pier, one of Massport's original properties, is about to be transformed from a little-used warehouse into an \$18.5 million office, restaurant, and marina complex on the Charlestown waterfront.

To be called "Constitution Plaza," the reconstructed pier overlooks the historic U.S.S. Constitution warship and will complement the new housing and commercial developments underway at the nearby Charlestown Navy Yard.

In working closely with the neighboring community, the developers and Massport included public access to the waterfront and parking on the wharf as part of the project.

Constitution Plaza is an undertaking of the Hoosac Pier Company, a limited partnership consisting of Corcoran, Mullins, Jennison Company; O'Connell Development Company; J.D.C., Inc.; and Forge Development Corporation.

Construction will begin in the fall of 1983 and reach completion by the spring of 1985. The redeveloped pier will provide employment, commerce, recreation, and Harbor access to the local community, while producing revenues for Massport to invest in other seaport activities.





## ***Hanscom Field: Number Two tries harder.***

The second busiest airport in New England is Massport's "second airport," Hanscom Field in Bedford, Massachusetts. Favored by nearby high technology firms, including several Fortune 500 companies, Hanscom's 231,000 operations in fiscal 1983 represented a 6 percent gain in activity.

Stead Aviation, a new fixed base operator, began construction of a new fuel farm and hangar facility, which will offer advanced electronics service for general aviation aircraft.

In line with increasing use and the introduction of scheduled service at the airfield, the Civil Terminal was modernized with a complete renovation of the lobby. Under a Federal Aviation Administration grant of more than \$800,000, a new solar-heated maintenance structure was completed to house state of the art snow removal equipment.

Committed to maintaining the quietest possible operation of an airport surrounded by semi-rural communities, Massport continued an active noise abatement program at Hanscom.

A new computer-aided system of collecting data on the impact of fleet mix and operations on noise was installed; noise abatement procedure manuals were distributed to local



and transient pilots; and Massport officials continued to enjoy productive relations with the Hanscom Field Advisory Commission which represents neighboring communities and airport users.



Officials of the U.S. Air Force, which operates Hanscom Air Force Base adjacent to the Massport facility, are now meeting with the Commission to discuss ways to reduce noise from military aircraft operations.



## ***Massport earns an A+ in financial management.***

Standard & Poor's Corporation, a leading municipal investors service, upgraded Massport's financial rating to A+ at the end of fiscal 1983. Only four other airport operators in the nation enjoy this ranking: New York/New Jersey, Oakland, Philadelphia, and Phoenix.

The high marks Massport won for its \$240 million, 1978 revenue refunding bonds confirm the Authority's consistently strong financial performance and reveal a clear confidence in Massport's future growth and stability.

Massport's healthy airport business, combined with continuing diversification of its revenue base and talented management, give the Authority even greater leverage as it promotes economic growth in the state and region.





## ***Landlord for the State.***

Massport, which oversees 4,800 acres of airport and waterfront properties, agreed to add the State's new Transportation Building to its management responsibilities.

The Massport Board, pending legislative approval, voted to act as interim manager for the new office-retail structure in Boston's Park Square. By utilizing the services of a flexible quasi public agency such as Massport, the State will gain managerial and financial benefits, while tenants of the building will gain the benefits of resident rather than absentee management.

Due to open in early 1984, the \$91 million, 880,000 square foot Transportation Building will house Massport, the Massachusetts Bay Transportation Authority, the Massachusetts Turnpike Authority, the State Department of Transportation, Department of Public Works, and other State agencies.



The ground floor of the eight-story building will be occupied by restaurant and retail areas to serve tenants and the public.



## *Sharing the success.*

Massport kept its \$500 million development program on course in fiscal 1983. Investments by the Authority and private sector in new and recycled properties will generate a projected 13,000 construction and permanent jobs and produce an estimated \$25 million in new sales and property tax revenues.

Massport also remained the only authority in the state to make voluntary payments to communities affected by its operations. The City of Boston received \$4.6 million in lieu of taxes from Massport in fiscal 1983, making the Authority one of the City's largest sources of revenue. Likewise, the City of Chelsea received \$217,000 and the Town of Winthrop \$143,000.

All told, since Massport began its in lieu program in 1979, the Authority has contributed \$21.7 million to the three municipalities, helping reduce the burdens on their property tax payers and adding to community treasuries weakened by Proposition 2½.

Residents of communities affected by Logan Airport remained well represented in the Massport work force; they constitute 27 percent of the Authority's 745 employees.

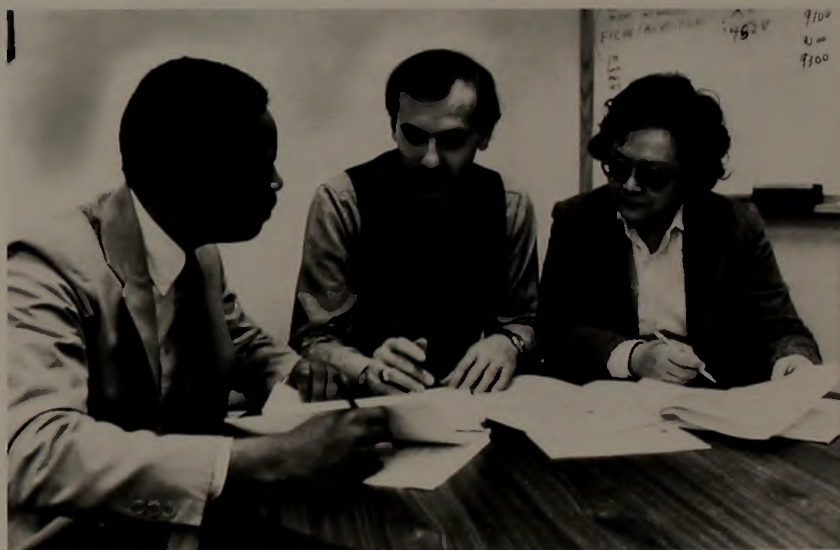
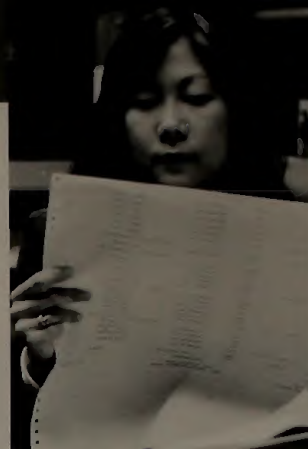
Since the adoption of an active affirmative action program in 1976, the participation of minorities and women at Massport has increased sharply. Minority employment went from 2.3 percent in 1975 to 11.1 percent presently, female employment from 11 percent to 22.2 percent. Moreover, 13 percent of Massport's professional and administrative staff are members of minority groups and 25 percent are women.





Special set-aside programs for minority- and women-owned firms have resulted in their earning nearly \$9 million in Massport purchases of goods and services, as well as construction contracts, in the past three years.

The Small Business Export Program, a joint effort of Massport and the Smaller Business Association of New England, has assisted 62 firms in making \$10 million in overseas sales since its inception in 1977. In addition to arranging foreign trade missions for small groups of companies, the Program staff has provided individual assistance on export matters to countless firms.



The Program will be expanded under a \$100,000 grant from the U.S. Department of Commerce, matched by an equal contribution of aid, staff, and support services provided by Massport and SBANE. "Project Export," as the grant program is known, will concentrate on small and medium sized firms with high export potential; marketing efforts will be extended beyond Western Europe to include Southeast Asia, Latin America, and Africa.



## The Massport Board



**Robert M. Weinberg, Chairman,** is a real estate developer in Boston. Term expires 1984.



**Dr. Arthur Gelb,\*** outgoing Vice Chairman, is president of The Analytic Sciences Corporation, TASC, in Reading, Massachusetts. Term expired 1983.



**John A. Vitagliano,** incoming Vice Chairman, is commissioner of Traffic and Parking for the city of Boston. Term expires 1985.



**Charles M. Raso\*\*** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1986.

*\*On November 7, 1983, Dr. Gelb was succeeded on the Board by Miguel A. Sant, executive director of Oficina Hispana. His term expires in 1990.*

*\*\*Mr. Raso succeeds Mr. William E Lyden who resigned from the Board on January 5, 1983. The same day, Governor Edward J. King appointed Mr. Joseph Laffey Jr. to replace Mr. Lyden. On January 6, 1983 Mr. Laffey resigned and was reappointed by outgoing Governor King the same day. On January 7, 1983 Governor Michael S. Dukakis removed Mr. Laffey and appointed Mr. Raso on April 12, 1983.*





**Jacquelyn R. Smith\*\*\*** is partner in Devereux, Smith Associates, conference management specialists, in Lexington, Massachusetts. Term expires 1987.



**E. Paul Robsham** is president of Robsham Industries, a real estate development firm, in Framingham, Massachusetts. Term expires 1988.



**John W. Arata** is senior partner with Bowker, Elmes, Perkins, Mecsas & Gerrard, a Boston law firm. Term expires 1989.

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.

\*\*\*Ms. Smith succeeds Mr. David S. Paresky who resigned from the Board on January 5, 1983. The same day, Governor Edward J. King appointed Mr. James F. Carlin to replace Mr. Paresky. Mr. Carlin resigned on January 6, 1983. On January 6, 1983 outgoing Governor King appointed Mr. Eric Jostrom to replace Mr. Carlin. On January 7, 1983 Governor Michael S. Dukakis removed Mr. Jostrom and appointed Ms. Smith on January 18, 1983.



Coopers & Lybrand  
Independent Certified Public Accountants

Massachusetts Port Authority  
Boston, Massachusetts

We have examined the balance sheets of Massachusetts Port Authority as of June 30, 1983 and 1982, and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Massachusetts Port Authority at June 30, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in the method of accounting for compensated absences as described in Note K to the financial statements.

*Coopers & Lybrand*

Boston, Massachusetts  
August 26, 1983



# Massachusetts Port Authority

## Balance Sheets

### June 30, 1983 and 1982

	1983	1982
	<i>(Dollar amounts in thousands)</i>	
	<i>(Note K)</i>	
<b>Assets</b>		
Cash (Note C) . . . . .	\$ 886	\$ 479
Investments in U.S. Government obligations and certificates of deposit at amortized cost, which approximates market, including accrued interest (Note C) . . . . .	164,749	161,802
Accounts receivable, less allowance for doubtful accounts of \$436,000 in 1983 and \$399,000 in 1982 . . . . .	10,222	8,604
Prepayments and other assets . . . . .	4,294	5,168
	<u>180,151</u>	<u>176,053</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports . . . . .	422,613	408,389
Bridge . . . . .	57,320	55,061
Port (Note H) . . . . .	107,338	86,677
	<u>587,271</u>	<u>550,127</u>
Less accumulated depreciation and amortization . . . . .	(197,400)	(176,714)
	<u>389,871</u>	<u>373,413</u>
Construction in progress . . . . .	39,242	36,821
Net investment in facilities . . . . .	429,113	410,234
Total Assets . . . . .	<u>\$609,264</u>	<u>\$586,287</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses . . . . .	\$ 8,657	\$ 11,139
Accrued compensated absences (Note K) . . . . .	2,379	2,234
Accrued pension cost (Note G) . . . . .	6,692	6,959
Accrued interest payable . . . . .	11,564	9,417
Notes payable (Note E) . . . . .	23,000	23,000
Funded debt (Note F) . . . . .	285,210	287,820
Total Liabilities . . . . .	<u>337,502</u>	<u>340,569</u>
Deferred income . . . . .	1,820	1,752
Contingent liabilities and commitments (Note H)		
<b>Fund Equity (Notes B and C)</b>		
Retained earnings . . . . .	230,250	208,514
Contributed capital, grants-in-aid of construction . . . . .	39,692	35,452
Total Fund Equity . . . . .	<u>269,942</u>	<u>243,966</u>
Total Liabilities and Fund Equity . . . . .	<u>\$609,264</u>	<u>\$586,287</u>

The accompanying notes are an integral part of the financial statements.



# Massachusetts Port Authority

## Statements of Income

### for the years ended June 30, 1983 and 1982

	1983	1982
	<i>(Dollar amounts in thousands)</i>	
	<i>(Note K)</i>	
<b>Revenues (Note B):</b>		
Tolls, fees and sales of services . . . . .	\$ 53,493	\$ 51,612
Rentals . . . . .	25,352	24,186
Concessions . . . . .	29,780	25,781
Income on investments (Note A) . . . . .	13,881	14,213
Other . . . . .	881	1,107
Total Revenues . . . . .	<u>123,387</u>	<u>116,899</u>
<b>Expenses (Note B):</b>		
Operations and maintenance . . . . .	42,807	44,138
Administration . . . . .	13,185	12,468
Insurance . . . . .	1,406	1,348
Pension cost (Note G) . . . . .	2,797	2,495
Interest (Note A) . . . . .	17,742	16,561
In lieu of taxes (Note I) . . . . .	4,981	4,680
Total Expenses . . . . .	<u>82,918</u>	<u>81,690</u>
<b>Income before depreciation and amortization . . . . .</b>	<b>40,469</b>	<b>35,209</b>
Depreciation and amortization, including \$2,215,000 in 1983 and \$1,929,000 in 1982 on assets acquired with contributed capital, grants-in-aid of construction . . . . .	<u>20,948</u>	<u>19,768</u>
<b>Net Income . . . . .</b>	<b><u>\$ 19,521</u></b>	<b><u>\$ 15,441</u></b>

The accompanying notes are an integral part of the financial statements.



# **Massachusetts Port Authority** **Statements of Retained Earnings** **for the years ended June 30, 1983 and 1982**

	<u>1983</u>	<u>1982</u>
	<i>(Dollar amounts in thousands)</i>	
Retained earnings at beginning of year . . . . .		\$193,384
Cumulative effect on prior years of accounting change for compensated absences (Note K) . . . .		(2,240)
Restated balance at beginning of year . . . . .	<b>\$208,514</b>	191,144
Net income . . . . .	<b>19,521</b>	15,441
Add credit arising from transfer of depreciation to contributed capital . . . . .	<u><b>2,215</b></u>	<u>1,929</u>
Retained earnings at end of year . . . . .	<u><b>\$230,250</b></u>	<u>\$208,514</u>

*The accompanying notes are an integral part of the financial statements.*



# **Massachusetts Port Authority** **Statements of Changes in Financial Position** **for the years ended June 30, 1983 and 1982**

	<u>1983</u>	<u>1982</u>
	<i>(Dollar amounts in thousands)</i>	
	<i>(Note K)</i>	
<b>Funds provided from:</b>		
Net income . . . . .	\$ 19,521	\$ 15,441
Adjustments for noncash transactions:		
Depreciation and amortization . . . . .	20,948	19,768
Loss on sale of equipment . . . . .	19	—
Funds provided from operations . . . . .	40,488	35,209
Contributed capital, grants-in-aid of construction . . . . .	6,455	5,693
Increase (decrease) in deferred income and liabilities other than funded debt and notes payable . . . . .	(389)	840
Issuance of notes payable . . . . .	—	23,000
Issuance of funded debt . . . . .	—	55,000
Proceeds from sale of equipment . . . . .	593	—
Total funds provided . . . . .	<u>47,147</u>	<u>119,742</u>
<b>Funds applied to:</b>		
Cost of facilities . . . . .	40,439	40,629
Retirement of funded debt . . . . .	2,610	2,475
Increase in other assets . . . . .	744	664
Total funds applied . . . . .	<u>43,793</u>	<u>43,768</u>
<b>Net increase in cash and investments . . . . .</b>	<b><u>\$ 3,354</u></b>	<b><u>\$ 75,974</u></b>

*The accompanying notes are an integral part of the financial statements.*



# **Massachusetts Port Authority**

## **Notes to Financial Statements**

The Massachusetts Port Authority is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### **A. Accounting Principles:**

The Authority has adopted the generally accepted accounting principles (GAAP) prescribed in an Industry Audit Guide, *Audits of State and Local Governmental Units*, issued by the Committee on Governmental Accounting and Auditing of the American Institute of Certified Public Accountants (Committee) in the preparation of its financial statements.

Facilities are carried at cost, and include the expenditure of Federal Aviation Administration and Economic Development Administration grants-in-aid of construction and the cost of significant renewals and betterments. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning generally in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes interest in accordance with Financial Accounting Standards Board Statement No. 62 which requires the capitalization of interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$6,423,000 in 1983 and \$1,789,000 in 1982, reduced by interest income of \$4,411,000 in 1983 and \$839,000 in 1982, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement. (See Note B.)

### **B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:**

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund, the 1982 Interest and Sinking Fund, the Maintenance Reserve Fund, In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



# Massachusetts Port Authority

## Notes to Financial Statements,

*Continued*

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:

Presented below are the fiscal 1983 and 1982 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation and amortization as presented in the Statements of Income under GAAP

(Dollar amounts in thousands)	Fiscal 1983						Fiscal 1982
	Port Properties*						(Note K)
	Bridge	Airport Properties	Maritime	Development**	Investment Income	Combined Total	Combined Total
<b>Revenues:</b>							
1978 pledged revenues . . . .	\$6,201	\$39,887	\$ —	\$ —	\$13,899	\$ 59,987	\$ 55,011
Other . . . . .	—	45,900	16,161	1,357	167	63,585	62,016
	<u>\$6,201</u>	<u>\$85,787</u>	<u>\$16,161</u>	<u>\$1,357</u>	<u>\$14,066</u>	<u>\$123,572</u>	<u>\$117,027</u>
<b>Operating expenses:</b>							
Operations and maintenance	1,972	25,338	13,665	1,813		42,788	44,138
Administration . . . . .	769	8,458	3,428	530		13,185	12,468
Insurance . . . . .	188	898	426	139		1,651	1,598
Pension (Note G) . . . . .	310	2,021	558	175		3,064	2,747
Loss on sale of equipment . .	—	—	281	—		281	—
	<u>\$3,239</u>	<u>\$36,715</u>	<u>\$18,358</u>	<u>\$2,657</u>		<u>\$ 60,969</u>	<u>\$ 60,951</u>
<b>Excess of revenues over operating expenses under Trust Agreement . . . . .</b>						62,603	56,076
Add: Difference on loss on sale of equipment (loss is greater under Trust Agreement than under GAAP) . . . . .						262	—
Add: Self insurance cost (expensed under Trust Agreement; not an expense under GAAP) . . . . .						245	250
Add: Pension cost variance (pension cost is greater under Trust Agreement than under GAAP) . . . . .						267	252
Less: Payments in lieu of taxes (not an operating expense under Trust Agreement; expensed under GAAP) . . . . .						(4,981)	(4,680)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (not an operating expense under Trust Agreement; expensed under GAAP) . . . . .						(17,742)	(16,561)
Less: Interest income included in pledged revenues (recorded as revenue under Trust Agreement; recorded as reduction of interest expenditures capitalized, not as revenue under GAAP) . . . . .						(185)	(128)
<b>Income before depreciation and amortization under GAAP . . . . .</b>						<u>\$ 40,469</u>	<u>\$ 35,209</u>

\* None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note H).

\*\*Development includes the activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.



**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:**

Under the provision of the Trust Agreement all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Fund, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978. All other revenues of the Authority, after payment of operating expenses as provided in the Trust Agreement, and the balance of the pledged revenues, after making provision for payment of current debt service on the 1978 Bonds and the payment of operating expenses, are to be applied to the payment of the current debt service on the 1982 Bonds.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements of the Revenue Refunding Bonds, Series 1978, if pledged revenues are insufficient to provide the debt service requirements in any year. At June 30, 1983, unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$36,448,000.

**C. Cash and Investments:**

The following summarizes the Authority's cash and investments at June 30, 1983, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

	Cash	Investments	Total
<i>(Dollar amounts in thousands)</i>			
<b>Use defined for specific purposes*:</b>			
1978 Debt Service Fund . . . . .	\$244	\$ 31,701	\$ 31,945
Operating Fund, including appropriations for self-insurance . . . . .	100	4,269	4,369
Maintenance Reserve Fund . . . . .	2	24,727	24,729
In Lieu of Taxes Fund . . . . .	4	3,153	3,157
Capital Budget Account . . . . .	521	70,630	71,151
1982 Interest & Sinking Fund . . . . .	5	7,258	7,263
1982 Construction Fund . . . . .	7	16,140	16,147
Improvement Note Capital Account . . .	3	6,871	6,874
	<u>\$886</u>	<u>\$164,749</u>	<u>\$165,635</u>

\*See also Note B for the amount of unexpended pledged revenues at June 30, 1983.

**D. Investments in Facilities and Depreciation:**

Investments in facilities at June 30, 1983 and 1982, comprise:

	1983	1982
<i>(Dollar amounts in thousands)</i>		
<b>Facilities completed:</b>		
Land and land improvements . . . . .	\$ 75,963	\$ 74,193
Bridge and bridge improvements . . . . .	56,550	54,278
Buildings . . . . .	315,347	291,127
Runways and other paving . . . . .	121,333	113,047
Machinery and equipment . . . . .	18,078	17,482
Accumulated depreciation . . . . .	(197,400)	(176,714)
	<u>389,871</u>	<u>373,413</u>
<b>Construction in progress . . . . .</b>	<u>39,242</u>	<u>36,821</u>
	<u>\$429,113</u>	<u>\$410,234</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities — buildings, runways and other paving	10 and 25 years
Port facilities — buildings and piers	25 years
Machinery and equipment	10 years



# Massachusetts Port Authority

## Notes to Financial Statements,

*Continued*

### E. Notes Payable:

The Authority has outstanding at June 30, 1983 short-term notes totaling \$23,000,000 with various maturities up to 360 days and interest rates ranging from 3½% to 5%.

The notes are subordinated to bonds issued under the Authority's 1978 Trust Agreement and to certain other obligations. The notes are collateralized by a pledge, which is subordinated as described above, of all amounts on deposit in the Improvement and Extension Fund including amounts in the Capital Budget Account and Improvement Note Capital Account.

In connection with the issuance of these notes, the Authority obtained a commitment from a financial institution under which it may borrow under a revolving credit agreement up to \$24,000,000 solely for the purpose of paying maturing short-term notes. The Authority is required under the note agreement to borrow under the credit agreement to the extent that it does not have other moneys available to pay the principal and interest on the notes when due. There were no borrowings against this commitment at June 30, 1983.

### F. Funded Debt:

Funded debt at June 30, 1983, is comprised of:

*(Dollar amounts in thousands)*

Maturity on July 1	Revenue Refunding Bonds, Series 1978		Revenue Bonds, Series 1982		Total
	Interest Rate	Amount	Interest Rate	Amount	
Serial bonds:					
1983	5.70%	\$ 2,760	7.75%	\$215	\$ 2,975
1984	5.80	2,935	8.25	230	3,165
1985	5.90	3,105	8.75	250	3,355
1986	6.00	3,300	9.25	270	3,570
1987	6.00	3,505	9.75	300	3,805
1988	6.10	3,720	10.25	330	4,050
1989	6.20	3,955	10.60	360	4,315
1990	6.30	4,000	10.90	400	4,400
1991	6.40	4,265	11.20	450	4,715
1992	6.50	4,545	11.40	495	5,040
1993	6.60	4,840	—	—	4,840
1994	6.70	5,165	—	—	5,165
1995	6.80	5,520	—	—	5,520
1996	6.80	5,905	—	—	5,905
1997	6.90	6,305	—	—	6,305
		63,825		3,300	67,125
Term bonds:					
1993–1997	—	—	12.25	3,580	3,580
1998–2002	—	—	12.75	6,605	6,605
1998–2012	7.125	166,385	—	—	166,385
2003–2013	—	—	13.00	41,515	41,515
Total funded debt		\$230,210		\$55,000	\$285,210

See Note B for revenues pledged as security for the 1978 Bonds and available for the 1982 Bonds.



### G. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as of July 1, 1973, over a 25-year period commencing in fiscal 1974. Total pension expense so determined was \$2,797,000 in fiscal 1983 and \$2,495,000 in fiscal 1982.

The accumulated plan benefits and plan net assets at January 1, 1982 and 1981, are as follows:

	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested . . .	\$24,774,131	\$20,870,773
Nonvested .	869,484	964,411
	<u>\$25,643,615</u>	<u>\$21,835,184</u>
Net assets available for benefits . . .	<u>\$15,589,427</u>	<u>\$11,208,975</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

### H. Contingent Liabilities and Commitments:

#### Payments to The Commonwealth of Massachusetts for Port Facilities:

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1983, the amount contingently payable to the Commonwealth, not reflected in the financial statements,

aggregated \$17,850,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$6,288,000 in fiscal 1983, which amount has been added to such prior years' deficiencies of \$54,857,000. The cumulative cash deficit of \$61,145,000 is to be applied against future Port Properties net revenues before payments are required in future years.

#### Contractual Obligations for Construction:

Contractual obligations for construction were approximately \$61,494,000 at June 30, 1983.

### I. In Lieu of Taxes:

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$4,900,000 to these cities, of which \$3,900,000 is subject to annual adjustment through 1988 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from fiscal 1988 through fiscal 1993, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payments to the Commonwealth (see Note H), payment of operating expenses, deposits to the 1982 Interest and Sinking Fund, and the deposits to the Maintenance Reserve Fund.



# **Massachusetts Port Authority Notes to Financial Statements,**

*Continued*

## **J. Litigation:**

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 23 lawsuits have been filed by passengers naming the Authority as a direct defendant along with World Airways. In addition, World Airways has filed a Third-Party Complaint against both the Authority and the Federal Aviation Administration (FAA) in eleven other cases as well as a separate direct complaint against the same defendants. The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated

to pay to passengers for personal injuries. In the other ten cases in which the Authority has been joined as a third-party defendant indemnification or contribution are the only remedies sought by the third-party plaintiff. The Authority has filed appropriate responsive pleadings denying all liability and containing appropriate cross claims. In addition to the lawsuits, 21 claims arising out of this incident have been filed with the Authority to date.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and preliminary analysis of the asserted claims the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.

## **K. Change in Accounting Principles:**

During 1983, the Authority changed its method of accounting for earned but unused vacation and sick leave benefits to comply with National Council on Governmental Accounting Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgements and Compensated Absences." Under this accounting method, the Authority accrues compensated absences expected to be paid at later dates. Previously the Authority's policy was to expense such amounts when paid. Accordingly, accrued liabilities, retained earnings, and operations and maintenance expense for fiscal 1982 have been retroactively restated in these financial statements. The effect of the change on net income for fiscal 1982 was an increase of approximately \$6,000.



# **Massachusetts Port Authority Properties & Performance, FY 83**

**Gross revenues,**  
**Authority-wide . . . . . \$123.4 million**

**Net revenues . . . . . \$62.6 million**  
(Does not include in lieu of  
tax payments, interest on  
funded debt, or depreciation)

## **Logan International Airport**

Total passengers . . . . . 16.9 million

Domestic . . . . . 14.9 million

International . . . . . 2.0 million

Total cargo and mail . . . . . 544.2 million pounds

Compliance with FAR, Part 36

federal noise standards . . . . . 78 percent

## **Hanscom Field, civilian**

Total operations . . . . . 231,000

## **Port of Boston general**

**cargo terminals . . . . . 817,200 tons\***

Value . . . . . \$2.3 billion

**Moran Container Terminal . . . . . 507,668 tons**

Containers handled . . . . . 42,372

**Conley Terminal . . . . . 309,533 tons\***

Containers handled . . . . . 14,846\*

Imported automobiles . . . . . 75,388 vehicles

## **Tobin Memorial Bridge**

Total vehicle crossings . . . . . 26.6 million

## **Boston Fish Pier**

Fish processed . . . . . 35.2 million pounds

Fish landed . . . . . 23.5 million pounds

## **Commonwealth Pier**

Under development as BOSCOM,  
leased to FMR Properties

## **Hoosac Pier**

Under development as Constitution Plaza,  
leased to Hoosac Pier Associates

\*Includes berth leased to Sea-Land



Massport  
99 High Street  
Boston, Massachusetts 02110  
Telephone: (617) 482-2930  
Telex: 940365

Massport/Far East  
"K" Line Agency, Ltd.  
New Diamond Bldg.  
4-4 Kasumigaseki  
Chiyoda-Ku, Tokyo, 100  
Japan  
Telephone: 03-506-5204  
Telex: 24957

Massport/London  
85/87 Jermyn Street  
St. James  
London SW1  
Telex: 917835

Massport/New York City  
Woolworth Bldg.  
233 Broadway, Room 818  
New York, New York 10007  
Telephone: (212) 608-0775

Massport/Upstate New York  
P.O. Box 280  
Grand Island, New York 14072  
Telephone: (716) 773-2010  
Telex: 940365

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MASSPORT  
FACES THE CHALLENGES  
OF THE FUTURE.



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*The annual report of the Massachusetts Port Authority for  
the fiscal year ending June 30, 1984.*



**T**HE MOST SERIOUS CHALLENGE FACING MASSPORT IS GROUND ACCESS. Massport turned 25 years old in 1984.

During that quarter century, we contributed enormously to the growth and attractiveness of New England. But success, as it often does, has also created new challenges.

The most severe of those challenges may well be ground access. The congestion on the downtown roadway system threatens the future of all our properties, but none so acutely as Logan International Airport.

The increasing use of Logan by passengers and shippers continues to place heavy burdens on major highways—such as the Central Artery—as well as on residential streets near the airport and on the airport roadway itself. We are meeting this challenge on many fronts.

One-way tolls provided some relief, development of new water-taxi service from downtown Boston will also help, and a major effort to encourage non-automobile use of Logan is about to begin.

But the most significant relief is also the least immediate: the state's \$2.2 billion Artery-Tunnel proposal now pending in Congress. This 10-12 year project is critical to effective use of every one of our downtown Boston facilities, from the Tobin Bridge to the seaport, from our newly recycled waterfront properties to Logan Airport. We are, therefore, major partners with the Commonwealth in moving the Artery-Tunnel project forward.

Ground traffic is also a growing concern at our suburban airport, Hanscom Field, which has become a significant resource to the successful high technology firms that surround it. We are working with Hanscom's residential neighbors and commercial users to assure quiet, orderly growth and better ground access at the airport.

The future of Massport is every bit as challenging as the past. We are confident that, by meeting the challenge of ground access, Massport will remain what we have been for the past 25 years:

A powerful, responsible force for economic progress for the people of New England."



A stylized, handwritten signature in red ink, appearing to read "David W. Davis".

David W. Davis  
Executive Director  
Massport, The Massachusetts  
Port Authority











## LOGAN INTERNATIONAL AIRPORT: GUARANTEE ACCESS TO THE REGION'S FASTEST GROWING AND MOST VALUABLE TRANSPORTATION RESOURCE.

Boston's Logan International Airport served 18.4 million passengers in fiscal 1984, a nine percent gain over the previous period. In calendar 1983, Logan grew faster than all but one of the nation's top ten airports, continuing a five-year trend which has seen Boston passenger traffic grow by nearly 32 percent since airline deregulation.

Currently the 11th busiest airport in the world in passenger volume, Logan has benefitted substantially from heightened airline competition and a healthy Massachusetts and regional economy. Six airlines, including two foreign flag carriers, entered or re-entered the Boston market in fiscal 1984; commuter passenger traffic grew almost 32 percent; and overall flight activity was up nearly 14 percent.

While this heightened activity is causing air traffic delays at most major American airports, Logan has not experienced the airspace constraints of many large hubs. Boston's principal concerns are on the ground—in the terminals, on the roadways and access highways, and in the parking areas. As various parties work to resolve national air traffic issues, Massport is launching a comprehensive effort to deal with Boston's special groundside problems.

A \$25.6 million renovation of the busiest and oldest Logan terminal, Terminal C, is underway to better serve the nearly 10,000 passengers who fly Delta, TWA, and United in and out of Boston each day. The two-year project will ease automobile access to the terminal,

streamline ticketing and baggage handling, and provide improved passenger amenities.

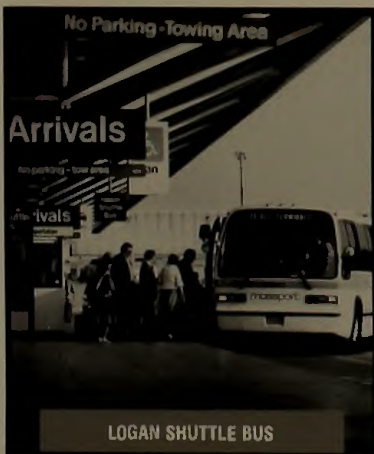
Ground access was improved by the permanent adoption of one-way tolls for the airport tunnels and Tobin Memorial Bridge, a change that reduced tunnel congestion and improved tunnel revenues without raising toll charges. The airport roadway system was also redesigned to eliminate traffic signals and the delays they produced.

Massport has developed a new ground transportation strategy to encourage alternatives to private passenger car

trips to and from Logan. The program involves in-depth traveller surveys to determine preferences, upgraded ground transportation services (bus, taxi, and limousine; remote parking; harbor ferry service), and an aggressive marketing campaign aimed at frequent flyers.



LOGAN AIRPORT TERMINALS



LOGAN SHUTTLE BUS



Longer range, Massport continued its partnership with the Commonwealth of Massachusetts to assist the State in obtaining \$2.2 billion in federal funds for a widened and depressed Central Artery and a new harbor tunnel joining the airport to Boston's South Station area. Once federal approvals have been secured, the Artery-Tunnel project will take 10-12 years to complete, after which ground access for Logan Airport will be assured well into the 21st century.



LOGAN ACCESS ROADS



**LOGAN SOUTH: MAKE WISE USE OF THE LAST PARCEL OF AIRPORT PROPERTY AVAILABLE FOR DEVELOPMENT.** Logan South, a 90-acre parcel in the southwest corner of Logan International Airport, is now in active use following several years of intense development by Massport.

Logan South's importance as the region's major air cargo center has continued to grow. Logan handled almost 640 million pounds of air cargo in fiscal 1984, a 17 percent increase over the previous period. To keep pace with this rising demand, Massport has invested over \$20 million in site preparations, new aircraft aprons, and new roadways in the past several years to ready 70 acres of Logan South for modern airfreight operations.

In 1984, Massport's investment began to pay dividends: Northwest Orient opened its new \$4.5 million state-of-the-art air cargo building, servicing two 747 freighters daily. Federal Express also began operating out of its new facility at Logan South and has begun design of an \$11 million small package sorting center which Massport hopes will become Federal's U.S.-to-Europe hub.

In addition, a general use cargo apron, managed by Air General, an independent apron operations firm, was made ready and is now in daily use by several important Logan carriers.

Logan South is also home to the new Amelia Earhart General Aviation Terminal, which Massport built to serve Boston's growing private and corporate aircraft community. An increase in the minimum landing fee was necessary to reflect the cost of building the terminal and providing other services to Boston's general aviation industry.



The remaining 20 acres of Logan South is a private development known as the Massachusetts Technology Center, a \$130 million low-rise office-industrial complex. The developer, Macomber Development Associates of Boston, recently completed construction of the first high-technology building, and the first tenant, Ogden Services, has taken occupancy.

Working with local residents, Massport began construction of a new harborwalk and waterfront park near the Tech Center. Offering spectacular views of the Boston skyline, the new landscaped pedestrian way provides waterfront access and recreational space for the people of East Boston as well as for airport tenants, employees, and visitors.

Massport also started work on docking facilities at Logan South for a cross-harbor water-taxi service linking downtown Boston to the airport.





AIR CARGO OPERATIONS



**N**OISE ABATEMENT: MOVE BEYOND CONVENTIONAL AIRPORT NOISE EFFORTS TO INNOVATIVE PROGRAMS TO GIVE LOGAN'S NEIGHBORS RELIEF. Massport has demonstrated that, at Logan International Airport, concern for the environment is not incompatible with the operation of a successful airport. Moreover, Massport's noise abatement efforts are among the most innovative in the nation.

The first Federal Aviation Administration soundproofing grant in the U.S. was the East Boston High School. Selected by Massport for a joint FAA-Massport demonstration project completed in 1983, its success led to Massport's winning additional FAA funds to soundproof three more public schools in communities neighboring Logan Airport in 1984. In 1985, another 14 schools will be soundproofed with over \$2 million in FAA and Massport funds.

Residential soundproofing is being tested in a pilot program financed by Massport to determine the most effective noise reduction measures in areas acutely affected by airport operations.

A computer-aided preferential runway advisory system, PRAS, is in its second year of testing in the Boston air traffic control tower. Developed by the airlines, the FAA, pilots, community representatives, and Massport, PRAS is a runway noise-sharing program which offers controllers guidelines for runway use in good weather conditions—75 percent of the time.

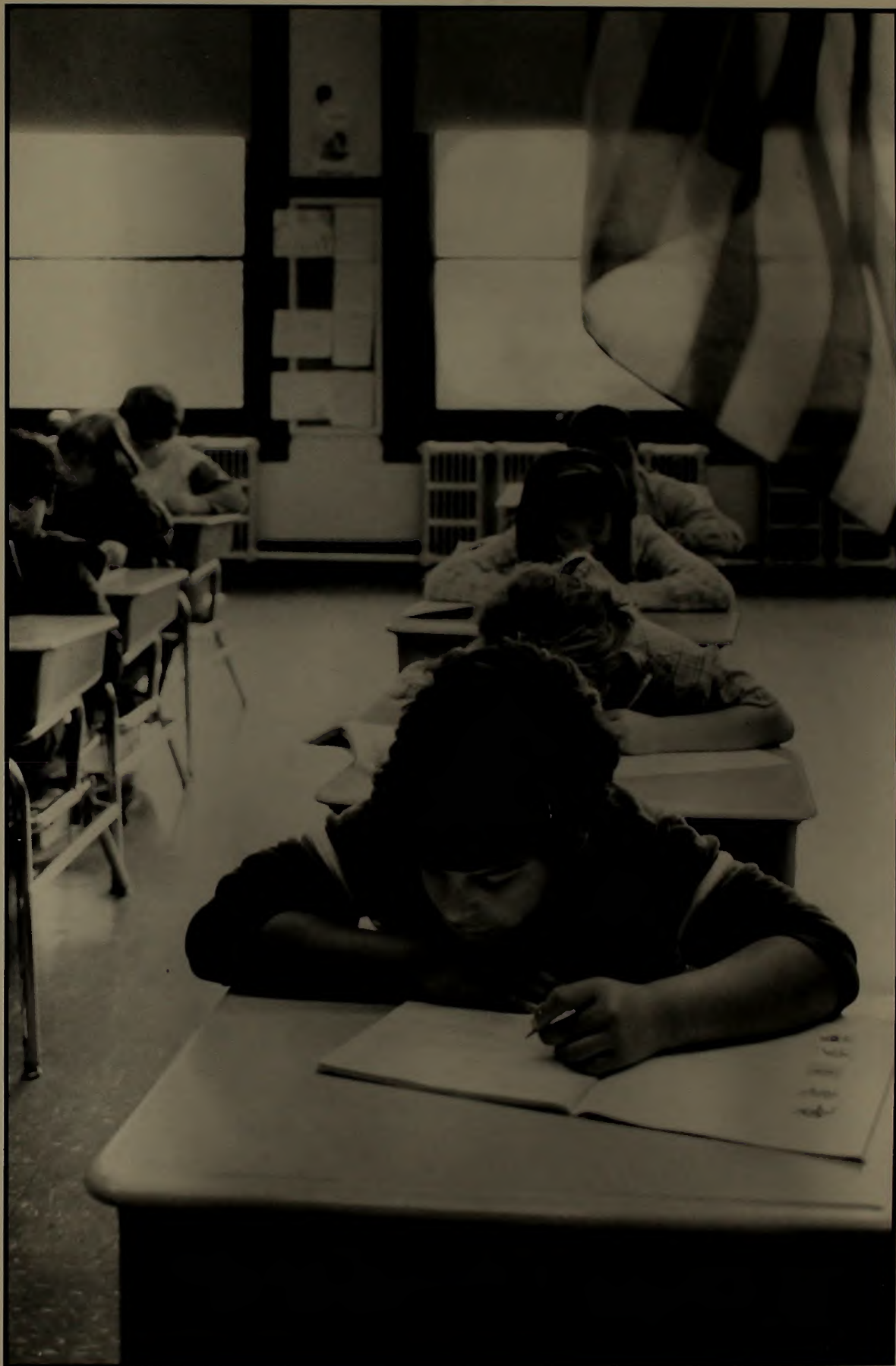
Massport continued its Neptune Road program, aimed at relocating residents of an area of East Boston which is less than 2,000 feet from a Logan Airport runway. Massport has relocated 140 families and physically moved five homes from Neptune Road to safer, quieter areas over the last ten years. The latest step in the program was Massport's decision to divest itself of five acres of East Boston land and create a \$3 million fund to assist the remaining Neptune Road families to move into two-family homes to be built on the land formerly owned by the Authority.

As Logan International Airport continued to enjoy sustained growth in operations, passengers, and air service, its compliance with federal noise standards (Part 36) reached 84 percent—nine points better than the national average and six points ahead of the previous fiscal year's end measurement.



SHURTLEFF SCHOOL, CHELSEA, MA







**H**ANSCOM FIELD: SERVE THE REGION'S FASTEST GROWING INDUSTRY WHILE REMAINING SENSITIVE TO THE AIRPORT'S NEIGHBORS. Located 18 miles northwest of Boston, Massport's Hanscom Field is surrounded by some of the region's and the nation's most important high technology firms. Nearly 400 corporations take advantage of the airport's facilities, reflecting the exceptional convenience of Hanscom, which is also used by private aircraft owners and flight training schools.

In keeping with Hanscom's growing importance as the state's premier general aviation airport serving the high technology industry, Massport undertook a number of airfield improvements during fiscal 1984. Over \$1 million was spent to rehabilitate and groove major runways, construct a new taxiway, and resurface apron areas. A major investment was made in new snow removal equipment to assure reliable service for the airport's corporate and commercial users. A new instrument landing system is also being added to the airport's second major runway, enhancing Hanscom's accessibility, especially during inclement weather.

The second busiest airport in New England, Hanscom civilian operations totalled 229,000 in fiscal 1984. While flight activity has risen steadily, the most recent measurements showed noise levels were constant. This stability in noise resulted from greater use of Part 36 aircraft at the airport and from Hanscom's noise rules, which discourage nighttime flights.

Working with communities surrounding the airport, Massport committed funds to a special study to seek solutions to ground traffic problems generated by increased private commercial development in the Hanscom area. The study will lead to development of a comprehensive planning strategy for major roadway improvements to assure orderly growth and improved ground access in the Hanscom Field area.



HANSCOM FIELD









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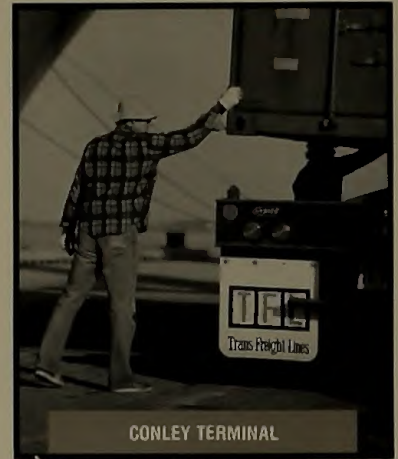
**P**ORT OF BOSTON: CAPTURE THE LION'S SHARE OF THE MOST VALUABLE SEAPORT CARGO IN AMERICA, NEW ENGLAND'S. New England generates approximately two million tons of waterborne cargo annually. Reflecting the region's technological leadership, this cargo is the most valuable in the nation (average value nearly \$3,000 per ton).

However, less than one-half of New England's seaport shipments travel through the Port of Boston, as shippers use ports in New York, Canada and the West Coast. To capture a greater share of the region's trade, Massport pursued a three-part strategy over the past six years.

First, Massport spent more than \$50 million to develop and improve its public terminals, including the \$19.5 million Berth 11 at Conley Terminal, which opened in April of 1984, and \$17 million to date on Massport Marine Terminal, which began receiving cargo in May of 1984.

Second, Massport sought to offer New England shippers better service at more competitive rates. In February of 1984, a new labor agreement was reached which ties staffing levels to productivity and a new era of stability and cooperation was established. This agreement, along with changes in operational responsibility, allows Massport to strengthen Boston's competitive position with other ports.

Third, Massport launched a new marketing effort directed toward steamship lines and New England shippers, promoting Boston's unique ability to serve the special needs of the region.



CONLEY TERMINAL



MYSTIC PIER I

The strategy has begun to produce results: Massport's terminals worked 894,813 tons of cargo in fiscal 1984—an improvement of 9.5 percent over the previous period. Growth was particularly strong in the last quarter of the year when cargo handled increased 21 percent over the fourth quarter of fiscal 1983. The number of containers handled at Conley Terminal increased a dramatic 54 percent; the terminal also received over 70,000 imported automobiles.

At Moran Terminal, BCR Lines began new container service to Northern Europe in May of 1984. The world's second largest container carrier, Evergreen Lines, increased its service between Boston and the Far East. The first newsprint shipment to pass through the Port in 12 years was delivered to Mystic Pier I adjacent to Moran; the 7,000-ton order from Canada was the first of 6-8 newsprint shipments expected to arrive each year.



Massport Marine Terminal, under a lease agreement involving the City of Boston, Massport, and a private automobile distributors firm, will be used to process some 55,000 imported cars annually, providing employment and revenue on the waterfront.





M

**MASSPORT'S OLDER PIERS: ATTRACT PRIVATE INVESTMENT TO REVITALIZE THE BOSTON WATERFRONT.** Massport is responsible for several waterfront properties which are no longer useful for modern maritime operations. The Authority's Real Estate Development Department works with the private sector to recycle these piers for productive uses.

At Commonwealth Pier, construction has begun for BOSCOM, an innovative market center for the computer and communications industries. BOSCOM's original plan for a fully-integrated, open showroom space has been revised to include closed showroom and supporting office space, a decision that has proved popular with both contracted and prospective high technology clients. In addition, BOSCOM has now received full financing under a new joint-venture agreement involving Fidelity Group, Monarch Capital Corporation, John Drew, and Peter and William O'Connell. This new partnership provides \$73 million for the BOSCOM center, which will open its doors in 1986.

Massport is supporting BOSCOM's renewed momentum by rebuilding the roads, pedestrian walkways, sewers, parking areas, and other support systems for Commonwealth Pier and the surrounding waterfront. These necessary improvements in the infrastructure of the Northern Avenue area will support both BOSCOM and the excursion and passenger boat activity that will continue to be an important feature of the Commonwealth Pier development plan.

Massport is considering a plan to shift docking facilities for large cruise ships, now handled at Commonwealth Pier, to the nearby Boston Army Base. Under this plan, Commonwealth Pier would continue to accommodate smaller craft, including commuter, ferry boat, and harbor cruise vessels.



CONSTITUTION PLAZA

At Hoosac Pier, a joint development team has invested \$18.5 million to create Constitution Plaza, a two-building office and restaurant complex facing the historic U.S.S. Constitution warship. The project also includes a modernized and-expanded marina as well as a waterfront walkway, with benches and parking, along the pier face.

At the Boston Fish Pier, Massport continued its revitalization of the local fishing and fish processing industries. While fish landings were down during fiscal 1984, the volume of fish processing increased over 33 percent. The Fish Pier gained its first non-fishing tenant when a design firm, Lehman and Millet, leased top floor space in an area not suited for fish processing. Rental income from the 80,000 square feet of Pier area available to commercial tenants is used to support the Pier's fishing operations.





BOSTON FISH PIER



## TOBIN MEMORIAL BRIDGE: REMAIN A VITAL LINK IN THE REGION'S CONSTRAINED GROUND TRANSPORTATION SYSTEM.

**T**OBIN MEMORIAL BRIDGE: REMAIN A VITAL LINK IN THE REGION'S CONSTRAINED GROUND TRANSPORTATION SYSTEM. In August of 1983, following a successful tryout, the Massport Board voted to make one-way tolls permanent at its Tobin Memorial Bridge. The action paralleled a similar vote by the Massachusetts Turnpike Authority for its Callahan and Sumner Tunnels leading to and coming from Logan Airport.

Sponsored by the State Department of Transportation, the one-way collection system produced the desired results: easier access to the airport, one less stop for northbound commuters using the Bridge and Tunnels, and no loss of jobs at either Authority.

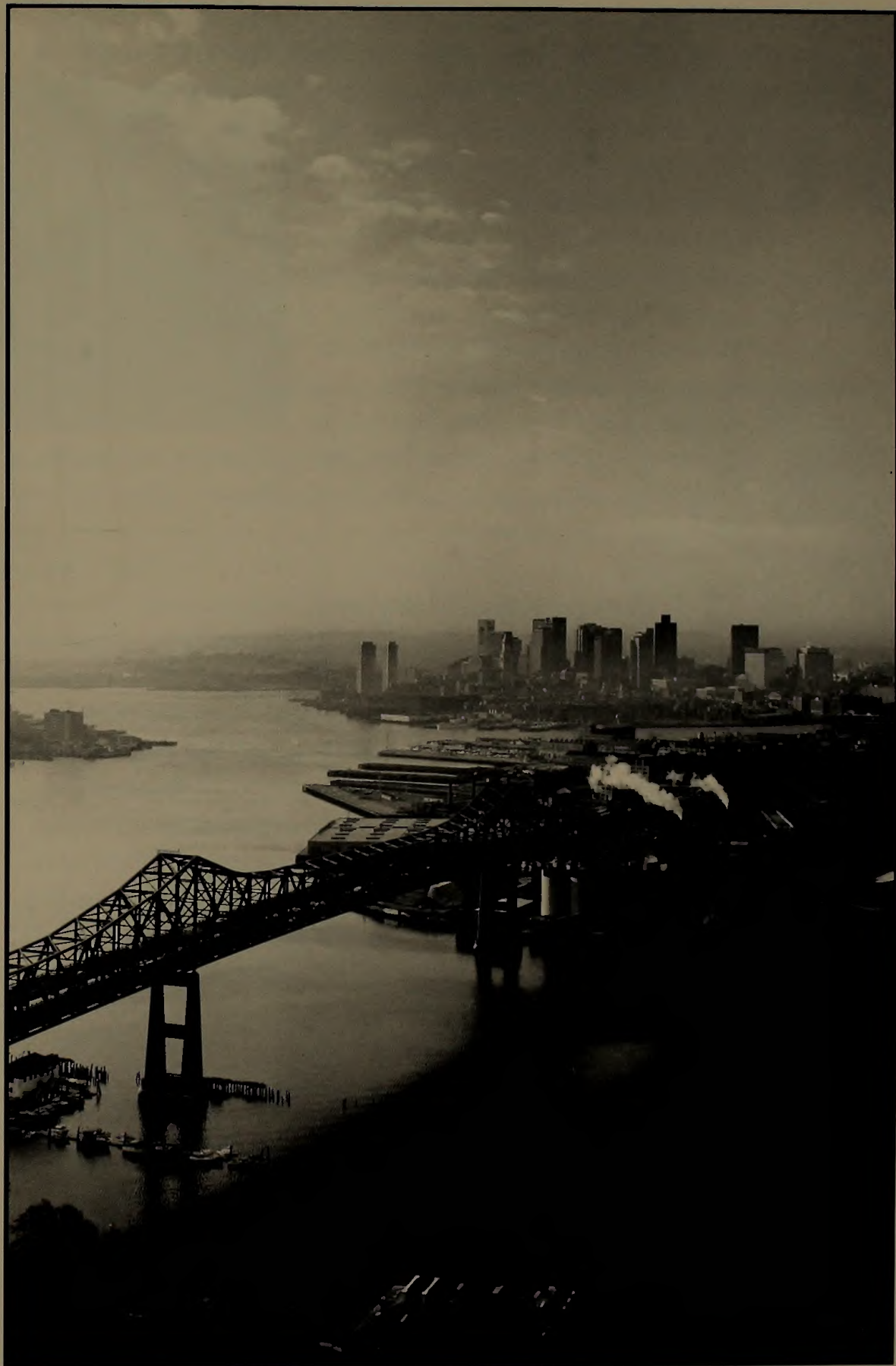
Bridge revenues increased nearly 1 percent and traffic 5.6 percent; Bridge crossings during fiscal 1984 were 28.1 million vehicles. Furthermore, Turnpike/Tunnel revenues and traffic were up over the previous fiscal year by 4.3 percent and 2.8 percent respectively.

Massport entered the final stages of a seven-year program of repainting portions of the 2.4-mile long Bridge using non-lead based paint. The repainting is estimated to cost the Authority approximately \$13 million. As part of this project, Massport has continued to fund and conduct a blood lead screening program for residents of Chelsea; more than 1,000 residents have received free blood tests.



TOBIN MEMORIAL BRIDGE







## RESPONSIBLE ORGANIZATION: PROVIDE EQUAL OPPORTUNITY, SUPPORT NEIGHBORING COMMUNITIES, BE A GOOD NEIGHBOR.

**A** For the sixth consecutive year, Massport made voluntary *in lieu* of tax payments to municipalities adjacent to Authority properties. The cities of Boston and Chelsea and the town of Winthrop received a total of \$5.3 million during fiscal 1984, bringing the combined payments by Massport to \$27 million.

Additional support was provided by Massport to



ENGINEERING DRAFTER

community and school groups, including a summer jobs program for young people in Logan's "impacted" communities as well as technical and financial assistance to improve the French Square area of Winthrop.

One-fourth of the Massport workforce lives in communities defined as impacted, and the Authority is developing a purchasing policy to reflect its interest in supporting businesses in these communities.



OPERATIONS SHIFT MANAGER

Massport's commitment to equal opportunity is

serious and real: Nearly 23 percent of the Authority's employees and 24 percent of its professional and administrative staff are female. Racial minorities comprise 12 percent of the Massport workforce and the same percentage of its professional and administrative staff.

A special set-aside program involving businesses owned by women and minorities produced \$5.2 million in Massport contracts in fiscal 1984. Three new concessions at Logan Airport's Terminal C will be minority-owned. And, Massport is initiating a unique jobs program in which women and minorities are employed by the Authority's tenants.



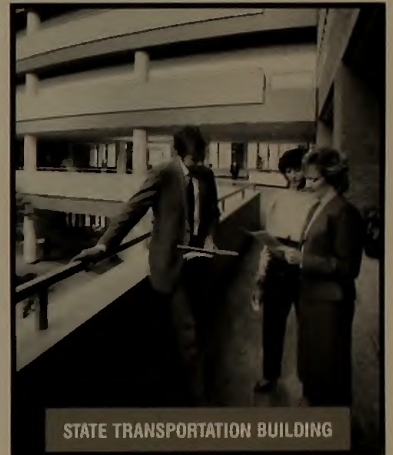
**A**DMINISTRATION AND FINANCE: CONTINUE TO MANAGE MASSPORT'S RESOURCES WELL ENOUGH TO TAKE ON NEW CHALLENGES. Massport succeeded in launching virtually all of its fiscal 1984 development activities. Moreover, the Authority undertook \$27 million in capital expenditures during the period. Looking ahead to fiscal 1985, a five-year, \$318 million commitment will be met to maintain and improve facilities and operating systems.

The Authority continued to pursue its revenue diversification strategy, aimed at even greater financial stability. In addition to revenues from Logan, rental income is anticipated at Constitution Plaza, BOSCOM, and the Fish Pier.

Massport took advantage of its strong cash position in fiscal 1984 to defease \$54 million in bonds at excellent rates. This move, which was made in response to complex changes in federal tax laws, allowed Massport to secure a long-term advantage in controlling its cost of capital. The defeasance resulted in AAA ratings and significant benefits to the holders of some of Massport's bonds, as well as to users and tenants who enjoyed reduced costs.

The Massport Board agreed to a one-year contract under which the Authority would manage the new State Transportation Building in Boston's Park Square. Massport relocated its central offices to the \$90 million structure in the fall of 1984, joining the State's other major transportation authorities and agencies. Massport's new offices are fully automated with modern telecommunications and computer systems.

The Legislature approved the leasing of retail space on the Transportation Building's ground floor, moving the entire enterprise closer to the vision of a multi-use, innovative structure which integrates state transportation activities and contributes to the revitalization of the surrounding area.



STATE TRANSPORTATION BUILDING



M

ASSPORT  
BOARD  
MEMBERS.

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.



**Robert M. Weinberg**, Chairman, is a real estate developer in Boston. Reappointed to chairmanship in July, 1984. Term expires 1991.



**Jacquelyn R. Smith** is financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires 1987.



**E. Paul Robsham** is president of Robsham Industries, a real estate development firm in Framingham, Massachusetts. Term expires 1988.





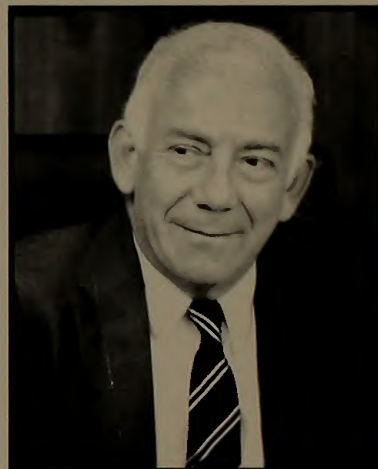
**John A. Vitagliano**, Vice Chairman, is a special consultant on transportation issues to the Executive Office of Transportation and Construction for the Commonwealth of Massachusetts. Term expires 1985.



**Charles M. Raso** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1986.



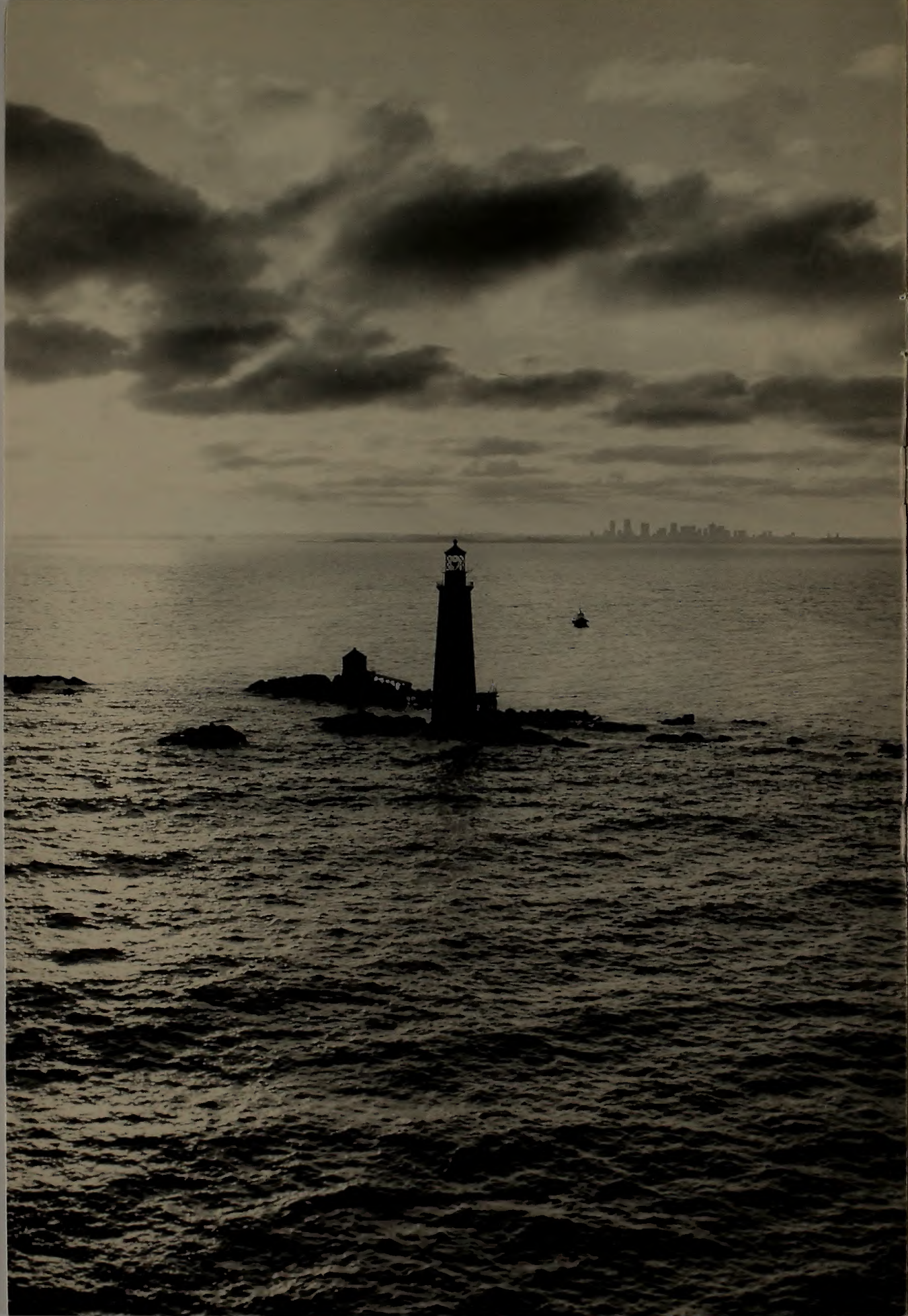
**Miguel A. Satut** is executive director of Oficina Hispana, a non-profit educational and social service agency in Jamaica Plain. Term expires 1990.



**Richard A. Giesser\*** is president of the Small Business Foundation of America. He replaced Mr. Arata in October 1984. Term expires 1989.

*\*Mr. Giesser succeeds Mr. John Arata who resigned from the Board in September, 1984.*











Coopers & Lybrand,  
Independent Certified Public Accountants

Massachusetts Port Authority,  
Boston, Massachusetts

We have examined the balance sheets of Massachusetts Port Authority as of June 30, 1984 and 1983, and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Massachusetts Port Authority at June 30, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

Boston, Massachusetts  
August 24, 1984



**Balance Sheets***June 30, 1984 and 1983*

<b>Assets</b>	<b>1984</b>	<b>1983</b>
	(Dollar amounts in thousands)	
Cash (Note C)	\$ 575	\$ 886
Investments in U.S. Government obligations and certificates of deposit at amortized cost, which approximates market, including accrued interest (Notes C and G)	122,665	164,749
Accounts receivable, less allowance for doubtful accounts of \$767,000 in 1984 and \$436,000 in 1983	12,059	10,222
Prepayments and other assets	5,484	4,294
	<u>140,783</u>	<u>180,151</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports	449,473	422,613
Bridge	59,340	57,320
Port (Note I)	114,838	107,338
	623,651	587,271
Less accumulated depreciation and amortization	(219,769)	(197,400)
	403,882	389,871
Construction in progress	31,235	39,242
Net investment in facilities	435,117	429,113
Total Assets	<u>\$575,900</u>	<u>\$609,264</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 13,981	\$ 11,036
Accrued pension cost (Note H)	6,409	6,692
Accrued interest payable	11,512	11,564
Notes payable (Notes E and G)	22,400	23,000
Funded debt (Notes F and G)	227,450	285,210
Total Liabilities	<u>281,752</u>	<u>337,502</u>
<b>Deferred income</b>	1,858	1,820
<b>Contingent liabilities and commitments</b> (Notes I, K and L)		
<b>Fund Equity</b> (Notes B and C)		
Retained earnings	251,669	230,250
Contributed capital, grants-in-aid of construction	40,621	39,692
Total Fund Equity	<u>292,290</u>	<u>269,942</u>
Total Liabilities and Fund Equity	<u>\$575,900</u>	<u>\$609,264</u>

The accompanying notes are an integral part of the financial statements.



**Statements of Income and Changes in Retained Earnings***for the years ended June 30, 1984 and 1983*

	1984	1983
	(Dollar amounts in thousands)	
<b>Revenues</b> (Note B):		
Tolls, fees and sales of services	\$ 57,224	\$ 53,493
Rentals	27,216	25,352
Concessions	34,492	29,780
Income on investments (Note A)	16,116	13,881
Other	1,315	881
Total Revenues	136,363	123,387
<b>Expenses</b> (Note B):		
Operations and maintenance	48,793	42,807
Administration	15,062	13,185
Insurance	1,416	1,406
Pension cost (Note H)	2,896	2,797
Interest (Note A)	20,663	17,742
In lieu of taxes (Note J)	5,255	4,981
Total Expenses	94,085	82,918
<b>Income before depreciation and amortization and extraordinary item</b>	42,278	40,469
Depreciation and amortization, including \$2,337,000 in 1984 and \$2,215,000 in 1983 on assets acquired with contributed capital, grants-in-aid of construction	22,488	20,948
<b>Net Income before extraordinary item</b>	19,790	19,521
Extraordinary item:		
Loss on extinguishment of debt (Note G)	708	—
<b>Net Income</b>	19,082	19,521
Add credit arising from transfer of depreciation to contributed capital	2,337	2,215
Retained earnings, at beginning of year	230,250	208,514
<b>Retained earnings, at end of year</b>	<u>\$251,669</u>	<u>\$230,250</u>

The accompanying notes are an integral part of the financial statements.



**Statements of Changes in Financial Position***for the years ended June 30, 1984 and 1983*

	1984	1983
	(Dollar amounts in thousands)	
<b>Funds provided from:</b>		
Net income before extraordinary item	\$ 19,790	\$19,521
Adjustments for noncash transactions:		
Depreciation and amortization	22,488	20,948
Loss on sale of equipment	—	19
Funds provided from operations before extraordinary item	42,278	40,488
Loss on extinguishment of debt	(708)	
Contributed capital, grants-in-aid of construction	3,266	6,455
Increase (decrease) in deferred income and liabilities other than funded debt and notes payable	2,648	(389)
Proceeds from sale of equipment	—	593
Total Funds Provided	47,484	47,147
<b>Funds applied to:</b>		
Cost of facilities	28,492	40,439
Retirement of funded debt	57,760	2,610
Reduction in notes payable (Note G)	600	—
Increase in other assets	3,027	744
Total Funds Applied	89,879	43,793
<b>Net increase (decrease) in cash and investments</b>	<b><u>\$ (42,395)</u></b>	<b><u>\$ 3,354</u></b>

*The accompanying notes are an integral part of the financial statements.*



## Notes to Financial Statements

The Massachusetts Port Authority is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### A. Accounting Principles:

Facilities are carried at cost, and include the expenditure of Federal Aviation Administration and Economic Development Administration grants-in-aid of construction and the cost of significant renewals and betterments. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning generally in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes interest in accordance with Financial Accounting Standards Board Statement No. 62 which requires the capitalization of interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$3,350,000 in 1984 and \$6,423,000 in 1983, reduced by interest income of \$1,402,000 in 1984 and \$4,411,000 in 1983, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement. (See Note B.)

Certain 1983 balances have been reclassified to conform with the 1984 presentation.

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund, the Maintenance Reserve Fund, the In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



## Notes to Financial Statements

**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by The Trust Agreement, continued:**

Presented below are the fiscal 1984 and 1983 revenue and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation, amortization and extraordinary item as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

	Fiscal 1984						Fiscal 1983	
(Dollar amounts in thousands)								
	Port Properties*							
	Bridge	Airport Properties	Maritime	Development**	Facilities Management	Investment Income	Combined Total	Combined Total
<b>Revenues:</b>								
1978 pledged revenues	\$6,260	\$44,337	\$ —	\$ —	\$ —	\$16,077	\$ 66,674	\$ 59,987
Other	—	49,920	17,663	1,708	359	203	69,853	63,585
	<u>\$6,260</u>	<u>\$94,257</u>	<u>\$17,663</u>	<u>\$1,708</u>	<u>\$359</u>	<u>\$16,280</u>	<u>\$136,527</u>	<u>\$123,572</u>
<b>Operating expenses:</b>								
Operations and maintenance	1,683	29,731	15,608	1,719	52		48,793	42,788
Administration	997	9,779	3,483	652	151		15,062	13,185
Insurance	206	919	395	135	3		1,658	1,651
Pension (Note H)	296	2,129	563	169	22		3,179	3,064
Loss on sale of equipment	—	—	—	—	—		—	281
	<u>\$3,182</u>	<u>\$42,558</u>	<u>\$20,049</u>	<u>\$2,675</u>	<u>\$228</u>		<u>\$ 68,692</u>	<u>\$ 60,969</u>
<b>Excess of revenues over operating expenses under Trust Agreement</b>							<b>\$ 67,835</b>	<b>\$ 62,603</b>
Add: Difference on loss on sale of equipment (loss is greater under Trust Agreement than under GAAP)							—	262
Add: Self insurance cost (expensed under Trust Agreement; not an expense under GAAP)							242	245
Add: Pension cost variance (pension cost is greater under Trust Agreement than under GAAP)							283	267
Less: Payments in lieu of taxes (not an operating expense under Trust Agreement; expensed under GAAP)							(5,255)	(4,981)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (not an operating expense under Trust Agreement; expensed under GAAP)							(20,663)	(17,742)
Less: Interest income included in pledged revenues (recorded as revenues under Trust Agreement; recorded as reduction of interest expenditure capitalized, not as revenue under GAAP)							(164)	(185)
<b>Income before depreciation, amortization and extraordinary item under GAAP</b>							<b>\$ 42,278</b>	<b>\$ 40,469</b>

\*None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note I).

\*\*Development includes the activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.



## Notes to Financial Statements, continued

Under the provision of the Trust Agreement all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Fund, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year. At June 30, 1984, unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$26,274,000.

**C. Cash and Investments:**

The following summarizes the Authority's cash and investments at June 30, 1984, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

<u>Cash</u>	<u>Investments</u>	<u>Total</u>
(Dollar amounts in thousands)		

**Use defined for specific purposes\*:**

1978 Debt Service Fund	\$362	\$ 31,975	\$ 32,337
Operating Fund, including appropriations for self-insurance	29	4,631	4,660
Maintenance Reserve Fund	5	28,283	28,288
In Lieu of Taxes Fund	2	3,257	3,259
Improvement and Extension Fund	172	43,545	43,717
1982 Construction Fund	5	10,974	10,979
	<u>\$575</u>	<u>\$122,665</u>	<u>\$123,240</u>

\*See also Note B for the amount of unexpended pledged revenues at June 30, 1984.

**D. Investments in Facilities and Depreciation:**

Investments in facilities at June 30, 1984 and 1983, comprise.

	<u>1984</u>	<u>1983</u>
(Dollar amounts in thousands)		
<b>Facilities completed:</b>		
Land and land improvements	\$ 79,175	\$ 75,963
Bridge and bridge improvements	58,496	56,550
Buildings	325,970	315,347
Runways and other paving	139,925	121,333
Machinery and equipment	20,085	18,078
Accumulated depreciation	(219,769)	(197,400)
	<u>403,882</u>	<u>389,871</u>
<b>Construction in progress</b>	<u>31,235</u>	<u>39,242</u>
	<u>\$435,117</u>	<u>\$429,113</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities—buildings, runways and other paving	10 and 25 years
Port facilities—buildings and piers	25 years
Machinery and equipment	10 years

**E. Notes Payable:**

The Authority has outstanding at June 30, 1984 short-term notes totaling \$22,400,000 with various maturities up to 360 days and interest rates from 5¼% to 5¾% (See Note G). The notes are subordinated to bonds issued under the Authority's 1978 Trust Agreement and to certain other obligations. The notes are collateralized by a pledge, which is subordinated as described above, of all amounts on deposit in the Improvement and Extension Fund including amounts in the Capital Budget Account.

In connection with the issuance of these notes, the Authority obtained a commitment from a financial institution under which it may borrow under a revolving credit agreement up to \$24,000,000 solely for the purpose of paying maturing short-term notes. The Authority is required under the note agreement to borrow under the credit agreement to the extent that it does not have other moneys available to pay the principal and interest on the notes when due. There were no borrowings against this commitment at June 30, 1984.



## Notes to Financial Statements, continued

**F. Funded Debt:**

Funded debt at June 30, 1984 (See Note G), is comprised of:

(Dollar amounts in thousands)

*Revenue Refunding Bonds, Series 1978*

<i>Maturity on July 1</i>	<i>Interest Rate</i>	<i>Amount</i>
<b>Serial bonds:</b>		
1984	5.80 %	\$ 2,935
1985	5.90	3,105
1986	6.00	3,300
1987	6.00	3,505
1988	6.10	3,720
1989	6.20	3,955
1990	6.30	4,000
1991	6.40	4,265
1992	6.50	4,545
1993	6.60	4,840
1994	6.70	5,165
1995	6.80	5,520
1996	6.80	5,905
1997	6.90	6,305
		<u>61,065</u>
<b>Term bonds:</b>		
1998-2012	7.125	<u>166,385</u>
<b>Total funded debt</b>		<u><u>\$227,450</u></u>

See Note B for revenues pledged as security for the 1978 Bonds.

**G. Extinguishment of Debt:**

On July 10, 1984, the Authority defeased by depositing cash and securities with a trustee all of its outstanding Revenue Bonds Series 1982 aggregating \$54,550,000. The defeasance and the resulting extraordinary loss of \$708,000 have been retroactively reflected in the financial statements as of June 30, 1984. In addition, the July 1, 1984 redemption of \$230,000 of Series 1982 Revenue Bonds and the required reduction in short-term notes payable on July 9, 1984 of \$600,000 have been reflected in accounts payable in the accompanying financial statements.

**H. Pension Costs:**

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as of July 1, 1973, over a 25-year period commencing in fiscal 1974. Total pension expense so determined was \$2,896,000 in fiscal 1984 and \$2,797,000 in fiscal 1983.

The accumulated plan benefits and plan net assets at January 1, 1983 and 1982, are as follows:

Actuarial present value of accumulated plan benefits:

	<i>1983</i>	<i>1982</i>
Vested	\$20,730,061	\$24,774,131
Nonvested	360,584	869,484
	<u>\$21,090,645</u>	<u>\$25,643,615</u>
Net assets available		
for benefits	<u>\$20,762,392</u>	<u>\$15,589,427</u>

The weighted average assumed rates of return used in determining the actuarial present value of accumulated plan benefits were 8 % and 6 % at January 1, 1983 and 1982, respectively.



Notes to Financial Statements, continued

**I. Contingent Liabilities and Commitments:**

**Payments to The Commonwealth of Massachusetts for Port Facilities:**

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1984 the amount contingently payable to the Commonwealth, not reflected in the financial statements, aggregated \$17,880,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$10,302,000 in fiscal 1984, which amount has been added to such prior years' deficiencies of \$61,145,000. The cumulative cash deficit of \$71,447,000 is to be applied against future Port Properties net revenues before payments are required in future years.

**Contractual Obligations for Construction:**

Contractual obligations for construction were approximately \$46,400,000 at June 30, 1984.

**J. In Lieu of Taxes:**

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$5,250,000 to these cities, of which \$4,200,000 is subject to annual adjustment through 1988 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from fiscal 1988 through fiscal 1993, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payments to the Commonwealth (see Note I), payment of operating expenses and the deposits to the Maintenance Reserve Fund.

**K. Litigation:**

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 27 lawsuits have been filed by passengers naming the Authority as a direct defendant along with World Airways and/or the Federal Aviation Administration. Actions have also been brought against the Authority by each of the flight crew members for personal injury damages and by an aircraft equipment supplier for property damage. In addition, World Airways has filed a Third-Party Complaint against both the Authority and the Federal Aviation Administration (FAA) in eleven other cases as well as a separate direct complaint against the same defendants. The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated to pay to passengers for personal injuries. In the other ten cases in which the Authority has been joined as a third-party defendant indemnification or other contribution are the only remedies sought by the third-party plaintiff. The Authority has filed appropriate responsive pleadings denying all liability and containing appropriate cross claims. In addition to the lawsuits, 17 claims arising out of this incident have been filed with the Authority to date.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and preliminary analysis of the asserted claims the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.



## Notes to Financial Statements, continued

**L. Leases:**

The Authority leases a major portion of its Aviation and Port Properties to various tenants. These leases are accounted for as operating leases and most of them provide for periodic adjustments to base rental rates. Certain of the lease agreements provide for payments based on a specified percentage of the tenant's gross revenue subject to a minimum rental amount. Contingent rental income received from these leases was approximately \$13,418,000 in fiscal 1983 and \$15,225,000 in fiscal 1984.

Minimum future rentals for noncancelable operating leases as of June 30, 1984 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
	(Dollar amounts in thousands)
1985	\$ 19,378
1986	19,061
1987	19,503
1988	18,861
1989	18,785
Thereafter	<u>473,148</u>
	<u>\$568,736</u>



*Massachusetts Port Authority***Properties & Performance, FY84****Gross revenues, Authority-wide** **\$136.5 million****Net revenues** **\$67.8 million**(Does not include in lieu of tax payments,  
interest on funded debt, or depreciation)**Logan International Airport**

Total passengers 18.4 million

Domestic 16.3 million

International 2.1 million

Total cargo and mail 638.4 million pounds

Compliance with FAR, Part 36 federal noise standards 84 percent

**Hanscom Field, civilian**

Total operations 229,000

**Port of Boston general cargo terminals** 894,813 tons\*

Value \$2.7 billion

**Moran Container Terminal** 474,273 tons

Containers handled 39,085

**Conley Terminal** 420,540 tons\*

Containers handled 22,861\*

Imported automobiles 71,167 vehicles

**Tobin Memorial Bridge**

Total vehicle crossings 28.1 million

**Boston Fish Pier**

Fish processed 46.9 million pounds

Fish landed 18.8 million pounds

**Commonwealth Pier**

Under development as BOSCOM

**Hoosac Pier**

Under development as Constitution Plaza

\*Includes Massport Marine Terminal and berth leased to Sea-Land.









Massport  
Ten Park Plaza  
Boston, Massachusetts 02116-3971  
Telephone: (617) 973-5500 Telex: 94-0365

Massport/Japan Office  
Room 428 Iino Building  
2-1-1 Uchisaiwai-cho,  
Chiyoda-Ku, Tokyo, 100  
Japan  
Telephone: (03) 506-5204  
Telex: KLINELTD J24957

Massport/London  
85/87 Jermyn Street  
St. James  
London SW 1, England  
Telephone: 01-930-7949  
Telex: 917835

Massport/New York City  
Woolworth Building  
233 Broadway, Room 818  
New York, New York 10007  
Telephone: (212) 608-0775

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# MASSPORT

1985 Taking New England  
to the future

PRESENT DOCUMENT  
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# ANNUAL REPORT 1985

*This report is dedicated to Robert M. Weinberg, Chairman of the Massport Board from 1977 to 1985. "Bob Weinberg is a man of exceptional vision and leadership. As Massport Chairman, he helped to foster better community relations, to create sound development strategies, and to maintain the highest standards of public management. He has earned the lasting gratitude of Massport and the citizens of Massachusetts."—Governor Michael S. Dukakis*

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The annual report of the Massachusetts Port Authority for the fiscal year ending June 30, 1985.



## Massport Embarks Upon A New Journey.



**T**he administration of the Massachusetts Port Authority has always been challenging and rewarding. But, as with any job that balances growth and technological change with a sensitivity to community needs, our task requires constant flexibility and innovation. The context of our current activities is shifting so rapidly we must think anew, plan clearly, and act decisively to ensure that we remain a positive force for regional economic growth well into the future.

In creating a framework for future decisionmaking, Massport is driven by three fundamental changes:

*First, we are experiencing extraordinary growth in air travel and shipping at Logan International Airport.* Over the past ten years, as aviation has become more and more essential to daily commerce, the airport has enjoyed a 67 percent surge in passenger traffic and a near-50 percent increase in cargo volume. As growth continues, we must manage our limited airside capacity with ever greater skill and efficiency. Bounded by urban neighborhoods, and constrained by a limited roadway system, Massport must constantly pursue innovative new solutions to the environmental problems of growth in air traffic.

*Second, as the only international gateway in New England, our airport/seaport complex stands as a vital link between our region and the rest of the world.* Like the rest of the nation, New England depends on an open flow of imported commodities—but a recent Boston Federal Reserve Bank study showed that New England is far more export-oriented than most sections of the country. Our six-state region generates \$9 billion annually in overseas sales of products alone, while sales of international services also make a valuable contribution to our regional economy.

*Third, highway traffic generated by strong economic growth continues to impose serious restrictions on access to our facilities.* Today's 20 million passengers at Logan may well double in the next two decades; air cargo growth should lag only slightly behind. This growing ground traffic can be accommodated only through advanced, alternative forms of urban transportation.

Massport is not satisfied merely to cope with change. Our mandate is to help shape the changes in our regional transportation system in order to better serve the interests of Massachusetts and New England.

Helping New England choose the right paths to the future is our job. Supported by some of the best managers, planners, and professionals in the public sector, and joined by the Commonwealth's outstanding public and private leaders, Massport looks forward to embarking on this important journey.

David W. Davis  
Executive Director  
Massport



## Logan International Airport: A Growing Force In The World.

**D**uring fiscal year 1985, Boston's Logan International Airport served a record 20.4 million passengers—10 percent more than in FY 84—making Logan the eleventh busiest airport in the world.

While overall international travel at Logan rose 4 percent, trans-Atlantic passenger traffic jumped 14 percent. Domestic passenger numbers showed an 11 percent increase, and the number of commuter travelers for the first time in history reached the one million mark. On November 21, 1984 Logan handled over 76,000 passengers, a new single day record.

New service included two flagship carriers, as Italy's Alitalia and Belgium's Sahena World Airways joined Logan's fleet of international airlines. Western Airlines came to Boston with new service to Salt Lake City and points west, while Midway Airlines returned after a brief absence. In a rapidly shifting deregulated airline market, four new commuter lines and one new domestic jetliner entered Boston, while four commuter and one U.S. jet carrier departed.

Renovations reached the halfway point at the airport's oldest and busiest terminal, which daily hosts 15,000 passengers of Delta, United, and TWA airlines. Massport's \$26 million program is aimed at making Terminal C the most "user friendly" at Logan, highlighted by improved ticketing, baggage handling, terminal circulation, and curbside and parking access—as well as some unusually thoughtful passenger amenities, including an ice cream parlor and a major bookstore.

Massport shifted six carriers to new locations at Logan to maximize efficiency and to give airlines the opportunity and space to grow. Northwest Orient Airlines, for example, needed additional gates at the International Terminal, as the carrier moved toward making Boston its trans-Atlantic hub.

### The Future.

According to William C. Coleman, Massport's Aviation Director, "Ninety percent of Logan's passengers are beginning or ending their journey in Boston. Unlike air travelers in Atlanta and Chicago, Boston passengers are not merely passing through. Whether they live in New England, or are drawn to the region for business or tourism, Logan passengers require more service—access roads, ground transportation, baggage areas, terminal space, concessions, information. Satisfying those needs requires the very best in modern airport management."

Despite recent gains in air service, one of those needs is for additional international connections. Massport is pursuing a strategy aimed at holding Logan's advantage with London; identifying and expanding other critical markets; and widening opportunities for direct service to the Far East.

With a passenger volume increase of 31 percent for FY 85, Terminal E, Logan's international terminal, will be reconfigured to improve service. The shape of the new terminal will be determined, as will many other issues involving Logan's future, by decisions on how to integrate airport facilities with an anticipated new airport tunnel. The new tunnel, which will link Logan to points South and West via a seaport access road through South Boston, is part of a comprehensive downtown roadway package developed by the Dukakis administration.

Since the new tunnel project will affect Logan operations for the next ten years, a special land-use study is being conducted to ease the impact of construction on airport users, employees, and tenants.

In addition, Massport, in conjunction with other state agencies, is pursuing a regional air service strategy. To share the economic benefits—and the costs—of modern aviation more equitably, Massport is looking at development of auxiliary airports in Massachusetts and the region.







*Terminal E—Logan's International Terminal*

"Capacity at Logan is a finite resource, and with growing use, that resource is shrinking," Coleman said. Consequently, Massport is working with the Massachusetts Aeronautics Commission to see if other New England airports could fit into regional marketing opportunities and steer future growth away from Logan. For example, if the airport in Worcester, the region's second largest city, can

serve the air service needs of a significant market, its development would benefit both Worcester and Boston.

In the meantime, Massport is finding ways to make the passenger experience more pleasant. The Aviation Department has established a pioneering Service Standards program, patterned after the work of service businesses, such as restaurants and

entertainment centers, which specialize in efficient circulation of people. A study is under way to determine what level of service passengers can reasonably expect as facilities become more congested. Managers of airport services can then be held accountable to a precise set of standards for efficiency, courtesy, and timeliness.



## Improving Access To Logan: The Ground's The Limit.





**L**ike other rapidly growing airports, Logan International is suffering from ground access problems. The source of the new ground traffic is the robust good health of New England's economy, which has produced an 82 percent increase in passenger use at Logan in the past decade.

Unfortunately, three out of every four passengers travel to and from Logan via private auto, either as driver or passenger. This means more cars and trucks are trying to reach and leave Logan than can be accommodated by the current roadway and tunnel system, which is already well over capacity.

Consequently, Massport is a major partner in the Commonwealth of Massachusetts' proposal to secure \$2.2 billion in federal funds to widen and depress Boston's Central Artery and to build a new tunnel to the airport.

Inasmuch as the Artery/tunnel project will not be completed until 10-12 years after its approval, Massport has begun to develop other anti-congestion remedies of more immediate, albeit less comprehensive benefit.

First, operational changes have been made at the airport, including streamlining the airport roadway and modernizing Logan's busiest terminal.

Second, Massport has played a leading role in persuading airport commuters to consider alternatives to the private automobile through an advertising program aimed at the

flying public and through a special video presentation targeted to major employers, travel agents, and opinion leaders.

Coupled with eliminating the 25-cent fare on the airport shuttle bus, the advertising seems to have paid off. On the busiest day of FY 85, ridership on the shuttle bus increased 62 percent over the same day one year before, and non-scheduled limousine service improved 89 percent.

Finally, water taxi service to the airport with free, direct bus service to terminals was opened on a test basis on July 1, 1985. Using Massport's new ferryboat dock on Logan South, two private operators began providing airport service to downtown and the South Shore.

#### **The Future.**

"There is every reason to believe that today's 20 million passengers will double over the next two decades; cargo growth will trail only slightly," predicts Massport's Director of Planning, Adel Foz.

"Increasing passenger and cargo demands will be focused on Logan for many years before satellite airports are more fully developed," he explained. "Congestion thus looms as a major threat to the economic health of the entire region."

Beyond the regional airports strategy, Massport is pursuing development of remote, reduced-rate parking lots at suburban locations. Airline passengers would leave their cars at the centers and ride to the airport in express shuttle buses—possibly in priority-dedicated traffic lanes.

As Massport plans for the introduction of a new tunnel at Logan, the Authority faces major and far-reaching decisions to assure that the airport remains functional during the ten-year construction period.

The airport must be altered without further encroachment on neighboring residential areas: in fact, Massport's plans also include a commitment to move airport-related activities back onto Logan property.

Logan facilities must be substantially redesigned to improve terminal, parking, access, circulation, baggage, and cargo services. One likely improvement will be at the MBTA's Airport Station, where Massport is looking for ways to speed and simplify the movement of people and baggage from the Shuttle bus system to the cars of the Blue Line. Satellite terminals and people movers are among the other means under consideration to keep Boston passengers flying the "friendly grounds" of Logan.





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**Logan South: The Future Takes Shape.**





**L**ogan South, a 90-acre parcel of prime airport property, is changing the face of Logan International Airport. The site is host for a number of vital, non-passenger uses—air cargo, high technology and aviation services, general aviation, and public waterfront parks—all in a compact, highly accessible area with ample parking.

Overall air cargo volume at the airport reached 670.4 million pounds, a 6 percent increase over FY 84. According to a 1983 study, Boston is the 6th largest U.S. gateway in value of international shipments. Europe accounts for 80 percent of Logan's exports and 86 percent of its imports.

Federal Express, which has already invested \$15 million in a package handling and sorting center at Logan South, designated Boston as its backup trans-Atlantic hub. The small package giant is also considering using Logan as a domestic mini-hub for regional shipping and sorting.

King Interests of Houston, the largest developer of airport cargo facilities in the U.S., completed construction of a \$3.5 million air cargo center. The multi-tenant building, with 88,000 square feet of urgently needed cargo handling space, opened on Logan South in July, 1985.

Northwest Airlines completed its first year of operations at its \$5.6 million freight complex, showing a 36.3 percent boost in Boston cargo volume. The 60,000 square foot cargo terminal is capable of working two 747-sized aircraft simultaneously.

The Massachusetts Technology Center, a new concept in airport development, is a privately financed commercial building adjacent to Logan South's cargo areas. With a third of its space leased up, including the entire top floor, MTC allows firms that ship by air to maintain parts and service areas on the airport to avoid off-airport trucking costs and delays. As a designated Foreign Trade Sub-zone, the MTC can also serve as a site for businesses interested in FTZ savings on import-export operations.

On the water's edge of MTC, Harbor-side Walk is under construction. The half-mile long walkway will provide waterfront access and scenic vistas for the Jeffries Point community and airport visitors. A major part of this new project is Massport's \$2.5 million new dock for the Authority's fireboat and airport water shuttle.

### The Future.

The goal of Massport at Logan South is to consolidate airfreight operations and create a full service area that specializes in high-speed cargo handling and international airfreight shipping. The Mass Tech Center serves two additional needs, providing a valuable regional business resource, and—not incidentally—serving as a very effective noise barrier for adjacent residential neighborhoods.

To keep pace with New England's growing cargo needs, Massport has worked with the airlines to increase Logan's airfreight lift capacity and open important new markets. With new cargo handling facilities now complete and generous parking available, the major challenge for Massport at Logan South is to dramatize the value of a coordinated air cargo/foreign trade/high tech complex. "Each component is working well," said Aviation Director Coleman. "The next step is to get them working as a total package."





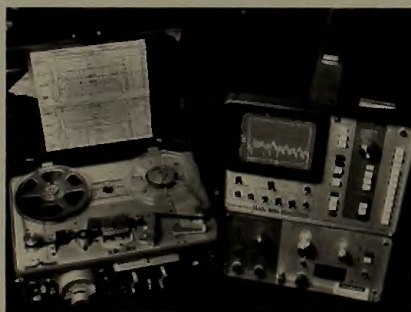
## Logan Noise Abatement: Still Ahead Of Its Time.

As Logan International Airport has enjoyed unprecedented growth in passengers, cargo, and new service, it has experienced no significant increase in overall noise—the result of one of the nation's most aggressive, innovative noise abatement programs.

According to Massport's Noise Abatement Office (Aviation), noise at Logan has actually declined over the past five years. At the end of FY 85, 90 percent of all operations in Boston were conducted in aircraft that met or exceeded federal noise control standards.

Recognizing that the airport is surrounded on three sides by densely populated neighborhoods, Boston's carriers have cooperated by adjusting their "fleet mix" to ensure that Logan routes are served whenever possible by newer, quieter aircraft.

Massport's innovative computer-aided noise sharing system, PRAS (Preferential Runway Advisory System), allows controllers in the Boston Tower to assign runways and provide relief to communities affected by takeoffs and landing patterns.



During 1985, Massport has or will soundproof 12 schools most immediately affected by Logan noise, following significant reductions measured at three others—in East Boston, Winthrop, and Chelsea—where similar work was completed. (As more FAA funds become available next year, the program can be expanded to additional schools.)

"Neither PRAS nor school soundproofing nor the over-the-water takeoff procedure could have been achieved without the support—both administrative and financial—of the Federal Aviation Administration," said Executive Director Dave Davis. "The FAA has been highly responsive in helping Massport pursue a bold, effective noise abatement course."

### The Future.

Based on the results garnered from last year's pilot residential soundproofing program, the Authority has embarked on a three-year program to provide at least 100 homes with acoustical construction treatment. The program will provide for the improvement or, where necessary, the replacement of all windows and doors, as well as for comprehensive acoustical treatment of one room per home (to be selected by the homeowner). The new program will be dependent on receipt of FAA funds, which are expected to cover 80 percent of the estimated \$3.8 million cost of this three-year initiative.

In order to permit the quietest, most orderly possible growth, Massport is moving to update its noise rules governing aircraft operations at Logan. First adopted in 1976, the rules were amended in 1980.





"To keep pace with changes in the airline industry and the Boston fleet, we feel it's a good time to sit down and make adjustments," observed Assistant Aviation Director Claire Barrett. "We don't want to put a cap on the growth of air service, but we do want to put a cap on noise."

Not long ago new service in Boston tended to mean larger, quieter aircraft. Today, however, Logan's greatest growth is in the Northeast corridor markets of New York and Washington where smaller aircraft and frequent flights are the norm. Deregulation has also spawned new,

low-overhead carriers that tend to fly older, noisier aircraft.

"The new noise rules will set goals that will keep Logan as good a neighbor as an airport can be," said Barrett.



## Hanscom Field: Building A Better Future.

**L**ocated 18 miles northwest of Boston in Bedford, Massachusetts, Hanscom Field remains a valuable resource for the Commonwealth's corporate and general aviation fliers. In FY 85, a strong state economy generated additional corporate and commercial traffic, and the number of operations at Hanscom grew at the modest rate of 6.8 percent.

"We're really quite fortunate," said Planning and Statistics Supervisor Joyce Hals. "The Massachusetts economy is booming, but the corporate and general aviation growth at Hanscom has been fairly easy to manage. In particular, we've noticed that many of the operators here are using newer, quieter aircraft, so, while traffic is up slightly, there has been no overall increase in noise levels."

1985 also marked the replacement of one of Hanscom's two fixed-base operators. Jet Aviation of America took over from Stead Aviation as a supplier of complete aviation services to Hanscom users, with Beechcraft East continuing as Hanscom's other full-service fixed-base operator.



As part of its start-up of operations at Hanscom, Jet Aviation is building a \$3 million, 36,000 square foot hangar and office facility due for completion in December of 1985.

Additional airport improvements for the year include the construction of 38 new "T" hangars, providing cost-efficient storage and repair space for aircraft based at Logan. Eight of the new hangars will be large enough to accommodate the multi-engine, multi-passenger aircraft used by area corporations.

Earth removed from the "T" hangar construction site has been used to create a 300-foot long, 20-foot high noise berm designed to protect Bedford homes adjacent to the take-off acceleration area of runway 29. The affected residents have reported a noticeable improvement in noise control.

### The Future.

The FAA has leased land at Hanscom as a site for installation of a new category I Instrument Landing system (ILS), as well as a Medium Intensity Approach Lighting system with runway indicator lights (MALSR) which will serve Hanscom's Runway 29.

The new equipment, which will be operational in January of 1986, will allow aircraft using Hanscom to maneuver with greater safety and efficiency over a wide range of weather and lighting conditions.







## The Port Of Boston: Back To The Future.





General cargo handled at Massport's public terminals in the Port of Boston topped the 1 million ton mark for the first time since 1972. Valued at \$4 billion, this year's tonnage represented a 25 percent increase over FY 84.

Led by a whopping 60 percent jump in volume in the third quarter, FY 85 performance was outstanding in virtually every area: 39 percent more containers were handled, 28 percent more imported vehicles were unloaded, newsprint tonnage rolled up a 61 percent gain, and lumber stacked up 99 percent higher.

Boston's regained role as New England's Home Port is a credit to the region's shippers and the port's waterfront industry and workers. Nevertheless, the port's turnabout began when Massport embarked upon a three-part strategy:

1. *Build and improve modern terminals and find new uses for obsolete piers.* Since assuming responsibility for the port's public terminals in 1959, Massport has invested \$116 million in maritime development to assure the port's future. At the same time, outdated waterfront properties have been leased to private developers who are providing valuable cross-subsidies for marine cargo operations.

2. *Maintain competitive rates and service.* Sharp competition from other ports required Boston to offer New England shippers more competitive rates and improved service. A new labor agreement, with productivity standards and lower labor costs, combined with new management, operational changes, and modernized equipment, have strengthened the port's competitive position.

Massport was actively involved in achieving the favorable outcome of a case before Federal Maritime Commission that would have jeopardized the port's future by significantly raising rates for goods shipped between Boston and New York.

3. *Bring new shippers and steamship lines to Boston.* Throughout the past year, Massport has aggressively marketed the significant cost and time savings of Boston for New England shippers. Simultaneously, Massport's Maritime Department has traveled throughout the world to bring new steamship lines to Boston, stressing its extraordinarily high value cargo—cargo, which at \$3,594 per ton, is twice the national average.

In the Port of Boston, Massport owns three general cargo terminals: Moran Container Terminal, a 44-acre public terminal with two container cranes in Charlestown; Conley Terminal in South Boston, a 101-acre, three-crane complex; and Massport Marine Terminal in South Boston, a 47-acre, multi-purpose facility featuring one of the busiest imported auto centers in the U.S.

### The Future.

"Having demonstrated the vitality of the Port of Boston," Massport Maritime Director Anne Aylward explained, "our most urgent challenge is to remain competitive and keep pace with changes in the maritime industry."

Specifically, the Boston Bill of Lading must be protected to keep New England from being placed at the mercy of ports and political jurisdictions outside the region. To preserve the port's \$178 million annual economic impact and 3,200 jobs, Massport is creating a political-business-labor constituency and forming a Port of Boston advisory committee.

Meanwhile, Massport is spending \$2 million on an overhaul of the two container cranes at Moran Terminal, and investing \$8 million in a complete modernization of adjacent Mystic Pier. The Authority is also paying close attention to preserving waterfront space for working port activities—landbanking—to protect existing and future facilities.

A number of operational and facilities changes are also under consideration: automated customs clearance, export trading companies, better rail links, inland terminals, and centralized shipping information.

Massport's maritime properties along the South Boston waterfront will benefit from a new seaport access road that is part of the Artery/tunnel proposal before Congress. Planning is underway to keep trucks off South Boston residential streets during construction.

Because the Shipping Act of 1984 has permanently changed the environment for U.S. ports, Boston must help shippers find ways to take advantage of service contracts and volume discounts. As carriers move toward centralized operations and as intermodalism offers new paths to traditional markets, the Port of Boston must seek new ways to handle cargo and serve inland shippers.





## Waterfront Development: The Future Is Now.

**M**assport's responsibilities in Boston Harbor include a number of older waterfront properties which, due to changes in technology and space requirements, are no longer suitable for modern maritime operations. The Authority's strategy is to act as a public entrepreneur, to recycle these obsolete piers through private developers.

The result, according to Elliot Friedman, Massport Director of Real Estate Development, is that "Massport is creating new and redeveloped properties that improve the regional economy, enhance public access to the harbor, attract investment to areas that need it, provide jobs for area residents, and generate new revenues to support Massport's maritime operations."

### **Constitution Plaza.**

Nowhere is the success of Massport's public entrepreneurship more visible than at Charlestown's Hoosac Pier. Like its historic neighbor, the *U.S.S. Constitution*, Hoosac was a relic from the past, but, unlike "Old Ironsides," the old warehouse and pier had become a deteriorating and useless hulk.

Today, Hoosac has been transformed into Constitution Plaza, a two-building complex containing 145,000 square feet of office space, now over 90 percent leased; and a 15,000 square foot waterfront restaurant, overlooking the *U.S.S. Constitution*.



The \$18.5 million development, opened in the spring of 1985, also includes a new marina, public walkway, benches and parking, giving residents and visitors renewed access to the harbor. The three-story brick building conforms to the architectural character of Charlestown and nearby Navy Yard redevelopment and complements its historic neighborhood.

This successful development was the work of Hoosac Pier Associates, a joint venture that included O'Connell Development Company; John Drew Company; Corcoran, Mullins & Jennison, Inc.; and Old Forge Realty.

### **World Trade Center.**

To strengthen Boston's growing commercial ties to world markets and enhance services to the import-export industry, Massport and a reshaped development team are embarking upon a bold, exciting new course for 70-year-old Commonwealth Pier.

With assistance from Massport and the International Business Center of New England, the development team won designation as the operator of an official World Trade Center. Scheduled to open January 1986, the 865,000 square foot WTC provides office space, a market center, exhibition areas, and a conference center equipped with state-of-the-art telecommunications.

The new concept found immediate acceptance: the WTC Exhibition Center is completely booked through 1988 with 25 commercial exhibitions worth \$10 million annually to the local economy. Nearly half of the Center's 200,000 square feet of high tech demonstration and display space has been leased by leading U.S. manufacturers. Businesses and government agencies involved in international trade are also taking office space at WTC.





*The Boston Fish Pier and the new World Trade Center.*

John Drew, spokesman for the development team, explained the \$85 million World Trade Center complex will be a "one-stop shop for international trade, with representatives of government, consulates, banking, shipping, and related services gathered under one roof." Others in the joint venture include O'Connell Development Company, Forge Development Corp., Pier 5 Limited Partnership, and Fidelity Investments.

The project, now completing its first stage, will also provide water taxi service to Logan, and shuttle bus service to South Station.

#### **Boston Fish Pier.**

Work is nearly complete on a \$24 million comprehensive renovation of the Boston Fish Pier, a vital waterfront facility with a proud history and bright future. The revitalization includes modernized processing and docking facilities and improved utility systems.

Stabilization of Boston's fresh seafood industry was supported by an \$8.5 million federal grant and Massport funds. In addition, prime office space being leased on upper floors of the Pier structures (no longer needed for modern fish processing) is providing market rate rents to support the pier's fishing operations.

#### **Northern Avenue Investments.**

Along the Northern Avenue corridor of South Boston, Massport has made investments in new sewer and roadway systems which have literally paved the way for development at Boston Marine Industrial Park, as well as Massport's new Black Falcon cruiseship terminal and the World Trade Center at Commonwealth Pier. In direct support of the new WTC, Massport is also building a new 1,600 car parking garage adjacent to Commonwealth Pier.



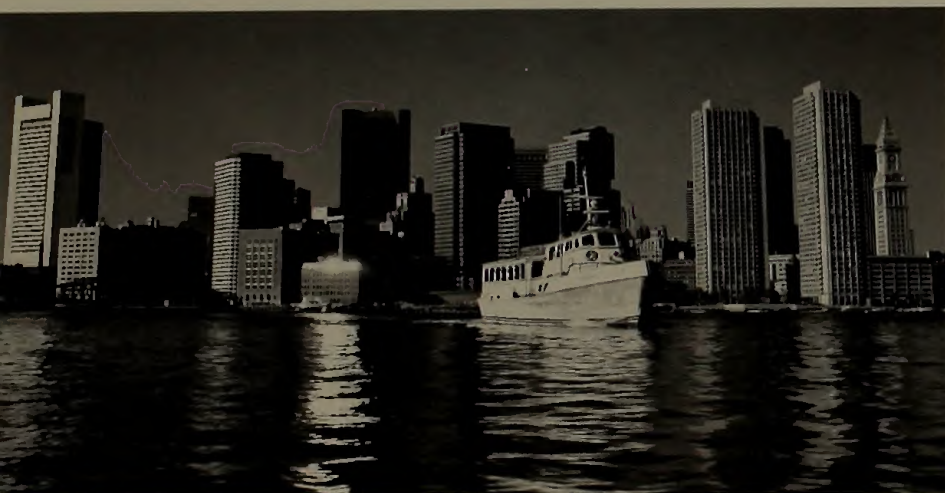
## Water Transportation: The Wave Of The Future.

**A**s a major landlord on Boston's waterfront, it is only logical for Massport to be interested in developing increased use of water transportation. With Boston's airport and seaport facilities being squeezed by ground access problems, water transit has become an urgent priority.

### **Airport Water Taxi.**

The last regular ferryboat service to East Boston was discontinued in 1952, although use of the harbor to move passengers dates back to 1631.

On July 1, 1985 water taxi service to and from Logan International Airport was launched, on an experimental basis, under an agreement between Massport and two private ferryboat operators with experience in Boston Harbor.



The water taxi picks up and drops off airport passengers at locations in downtown Boston and South Shore suburbs. Massport has made a major commitment to promoting the new service, which includes free shuttle bus transport between Logan's new \$2.5 million ferryboat dock and its air terminals.

During its initial evaluation period, the water taxi has offered 24 trips each weekday; Massport and the State Department of Transportation will be reviewing the experiment to determine how and whether it should continue.

"If successful, this new water taxi will play a leading role in creating a comprehensive water transport system in Boston Harbor," said Anne Meyers, Massport's Deputy Director for Development. "There's no reason why water taxis cannot ultimately serve all of Massport's waterfront properties, including our marine cargo terminals, the World Trade Center, the Mass Tech Center, Constitution Plaza, and the Fish Pier, creating a coordinated transit system which would also connect to downtown, the South Shore, and—of course—to Logan Airport."

### **Black Falcon Cruise Terminal.**

To accommodate reinvigorated cruise-ship business in Boston, Massport has developed a \$5 million cruiseship terminal near the Boston Army Base. Black Falcon Cruise Terminal provides services to oceangoing vessels and serves as home port for a special dinner cruise vessel operating in Boston Harbor.

At the request of Boston's Longshoremens union, Massport named the new terminal after a vessel on which 12 dockworkers were killed in 1953. The year-round center is large enough to handle a 1,200-passenger vessel and 600-passenger ship simultaneously and permits Massport to shift cruiseship operations from Commonwealth Pier.

As the State's tourism campaign drew more visitors to Massachusetts, an estimated 25,000 people used Boston's cruiseship facilities in 1985. With a modern new passenger ship terminal, Boston is now in a position to attract a larger share of holiday and cruiseship traffic along the Atlantic coast, especially from the eastern coast of Canada and Bermuda.

Massport hopes to expand cruiseship calls threefold, adding a new dimension to Boston as a tourism center and providing new revenues and jobs for area restaurants, hotels, and retail stores.



## International Marketing And Tourism: Expanding Business With The World.

As the operator of our region's principal international air and sea gateways, Massport is intimately involved with foreign trade and travel.

International marketing is therefore a high priority for Massport, and the Authority has worked in partnership with the Commonwealth of Massachusetts and other New England states on a host of projects. Joint ventures included the cosponsorship of airport promotions, overseas trade missions, development of fly-drive packages for foreign travelers, setting up familiarization trips for foreign travel and business agents, and negotiating tie-ins with airlines, hotels, country inns—even television stations.

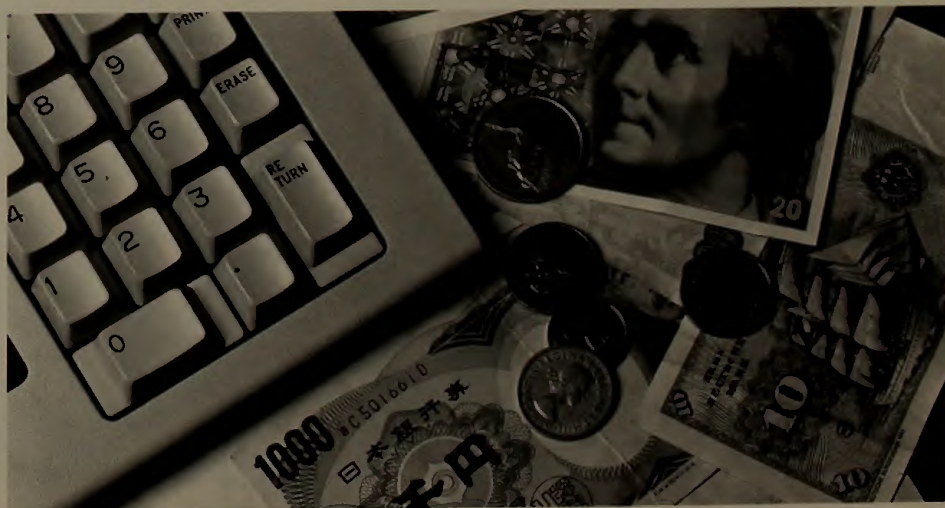
In March of 1985, Massport organized the first New England trade delegation visit to Nagoya, Japan. Led by Governor Michael S. Dukakis, ten companies participated in a four-day "Made in U.S.A." fair, the sole purpose of which was to increase sale of U.S. goods in Japan. The expedition was rated a success by nearly every member of the delegation, with 20 percent of the participating businesses making sales or locating agents in the difficult but lucrative Japanese market. Massport's Japan Office continues to provide follow-up support for trade fair participants and other New England businesses.

The Authority's European office, headquartered in London, handles trade

promotion work, sets up meetings with overseas companies, and assists in both maritime and aviation marketing in Europe. Massport's foreign connection is also available to importers, who benefit from the availability of up-to-date information and overseas technical support.

To improve the efficiency of an assembly operation which depends on imported components, the management of General Motors turned to Massport for assistance in securing Foreign Trade sub-zone status for their Framingham plant. As the license-holder for FTZ #27, Massport was pleased to help the GM plant, widely regarded as one of the nation's best, in its efforts to grow and prosper in a highly competitive industry.

The future of the New England economy is tied to the ability of the region's businesses to compete in the international marketplace. Over the past 10 years, New England exports have grown by over 400 percent. Massport's contribution to this growth has gone far beyond the provision of first rate transportation facilities. Tapping its experience and resources in international business, Massport will continue to use its Trade Development Program to provide technical assistance to New England exporters, and to support the Commonwealth's statewide export initiative.





## **Tobin Memorial Bridge: The Second Generation.**





**O**n February 27, 1985 Massport's Tobin Memorial Bridge celebrated its 35th anniversary. Back in 1950, the Mystic River Bridge, as it was called until 1966, carried 8.6 million vehicles. In FY 85, more than 29.4 million vehicles crossed—a 72 percent increase over its first year.

Remarkably, the price of using the bridge has changed little. In 1950, the motorist paid 30 cents for a roundtrip passage—and only 20 cents when equipped with a commuter sticker. Today, the same trip costs 50 cents, or 30 cents with sticker. In fact, passenger car toll charges at the Tobin have been unchanged since 1953.

Rising 135 feet above the water at high tide, the Bridge cost \$27 million and required 3 years (and 30,000 tons of steel) for completion. Over a quarter-century later, it took 7 years and \$13 million to remove lead paint and repaint part of the span with a non-lead rubber-based paint.

At 2.4 miles, Tobin is twice as long as the Brooklyn Bridge, and longer than San Francisco's Golden Gate. More than 50 employees work its three shifts; to keep traffic moving smoothly around the clock, Bridge personnel offer free emergency breakdown service to over 5,000 motorists annually—and the traffic *does* keep moving: the Bridge has been closed only once in its history, when a gravel truck struck a bridge support in 1973.

Named for former Boston Mayor and Massachusetts Governor Maurice J. Tobin, the bridge is statistically the safest path for travelers between Boston and the North Shore. In May

of 1983, with the implementation of a highly successful state-coordinated one-way tolls program, Massport began collecting tolls on the southbound lanes only, and northbound drivers found that their trips were not only safer but significantly faster.

### The Future.

"We put a premium on service," Bridge Director Joseph Greene said. "Service is something we never stop improving."

Current capital improvements for the Tobin Bridge include a new overhead lighting system for better roadway visibility, a closed-circuit monitoring system to improve traffic flow, a new signal and sign system to give motorists better information on road conditions, and the rehabilitation of roadway riding surface and its supporting steelwork.

To protect the health of its nearest neighbors, Massport will again sponsor free blood lead screening to test residents immediately adjacent to the bridge. Lead levels in the soil of properties abutting the Bridge are also a continuing subject for testing and monitoring.





## A More Secure Future For All.

**M**assport will be in a strong financial position for many years ahead. This enables the Authority to enhance and protect the future of its transportation facilities, ensures that Massport remains an attractive investment, and thus has access to reasonably priced funds to pursue its objectives.

"One of our most important obligations is to balance the need for sound fiscal practice with the responsibility to encourage opportunity and to share the cost of maintaining necessary community services," said Administration and Finance Director Gloria Vokonas. "Massport has kept that balance for the past decade, but changing financial and social conditions have created new challenges—we can't afford to rest on our past achievements."

Massport remained the only authority in the state to make in-lieu-of-tax payments to municipalities affected by its operations. Massport payments to the communities of Boston, Chelsea and Winthrop over the last six years total more than \$32.5 million.

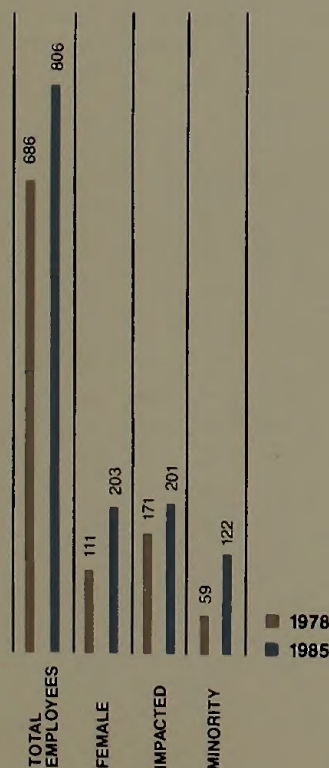
In October of 1984, working in conjunction with Governor Dukakis and the State Office of Elder Affairs, Massport provided direct assistance to East Boston's senior citizens by opening the Anna DeFronzo Senior Center. The new Center is located on Airport property near the site of the famous "Maverick Street Mothers" march in 1968. That march, which served as an effective protest against plans to expand Logan Airport, marked the beginning of Mrs. DeFronzo's distinguished career as a community activist and organizer. The Senior Center which bears her name now provides valuable recreational and social facilities for older East Bostonians. The furniture and first-year funding have been provided by Massport. Future operating costs will be the joint responsibility of Massport and the State's Office of Elder Affairs.

FY 85 was also a year of substantial progress on the Neptune Road Relocation Program, a twelve-year effort to relocate 178 families away from a neighborhood located less than 2,000 feet from a Logan runway. The final phase of this effort—the \$3.9 million Neptune Road Replacement Housing Program—will conclude with the relocation of 22 remaining families to two new, preferable sites in East Boston. Sixteen modular homes have been built on these sites, allowing families to remain in close proximity to their friends, relatives and their parish, yet also escaping the high noise levels directly adjacent to the Airport. Massport is applying to the FAA for 80 percent of the cost for this important noise abatement and community program.

Massport also continued to improve its record of hiring women, minorities and residents of those communities most directly affected by Authority operations. At the end of FY 85, women comprised one fourth of the Authority's 806-person workforce and 30 percent of its professional and administrative ranks. Members of minority groups held 12 percent of all jobs and 18 percent of professional and administrative positions. Nearly a quarter of all Massport employees live in one of what the Authority defines as "impacted" communities.

Massport's Youth Employment and Training Program, YETP, was started to place youngsters from Boston and communities surrounding Logan in entry level jobs at the airport. Massport's Compliance Department is looking into a set-aside program for women-owned businesses similar to the one already in place for minority-owned firms.

On December 31, 1984 the Logan Airport Fire Department hired its first female firefighter, Angela Adamo of Holbrook, a former Emergency Medical Technician.





## Building For The Future.

**M**assport is under contract with the Commonwealth of Massachusetts to serve as manager of the highly innovative State Transportation Building (STB) in Boston's Park Plaza. Because of Massport's unique experience with both public and private sector real estate, the STB is the only building in the Commonwealth managed by a tenant agency.

The idea, according to Massport's Deputy Director for Property Management Paul McGinn, is for the Commonwealth to utilize Massport's management expertise to maintain a high quality environment for all tenants.

Among STB's unique services are: a library, an independent phone system, centralized copying and mail distribution, a conference center, employee lockers, a visitor information booth, public art program for lobby areas, and a soon-to-be-opened day care center for employees' children.

Massport also operates the building's underground garage and manages lease arrangements for the 60,000 square foot ground floor retail space—another unusual feature of STB.

The building design features an innovative HVAC (heating, ventilating and air conditioning) and energy management system that recycles heated and cool air without traditional sources of power; in the first year of operation, the system produced a cost avoidance of \$1.1 million and a savings of \$10,000.

Transportation Secretary Fred Salvucci describes the chief advantage of bringing all the State's major transportation agencies together: "Better communication. Massport depends on other transportation agencies—the Department of Public Works, the Turnpike Authority, the MBTA—to transport people and goods to and from its airport and seaport. Now every agency that can solve our downtown ground access problems is under one roof."





# The Massachusetts Port Authority

**The Honorable  
Michael S. Dukakis**

Governor of the Commonwealth of  
Massachusetts

**The Honorable  
Frederick P. Salvucci**

Secretary, Executive Office of Transportation  
and Construction

## Massport Board Members



**Richard A. Giesser**, Chairman, is Chairman of the Small Business Foundation of America in Boston. Term expires 1989.



**E. Paul Robsham** is president of Robsham Industries, a real estate development firm in Framingham, Massachusetts. Term expires 1988.





**John A. Vitagliano**, Vice Chairman, is Assistant Superintendent of Tolls Collection for the Massachusetts Turnpike Authority. Term expires 1992.



**Charles M. Raso** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1986.



**Jacquelyn R. Smith** is financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires 1987.



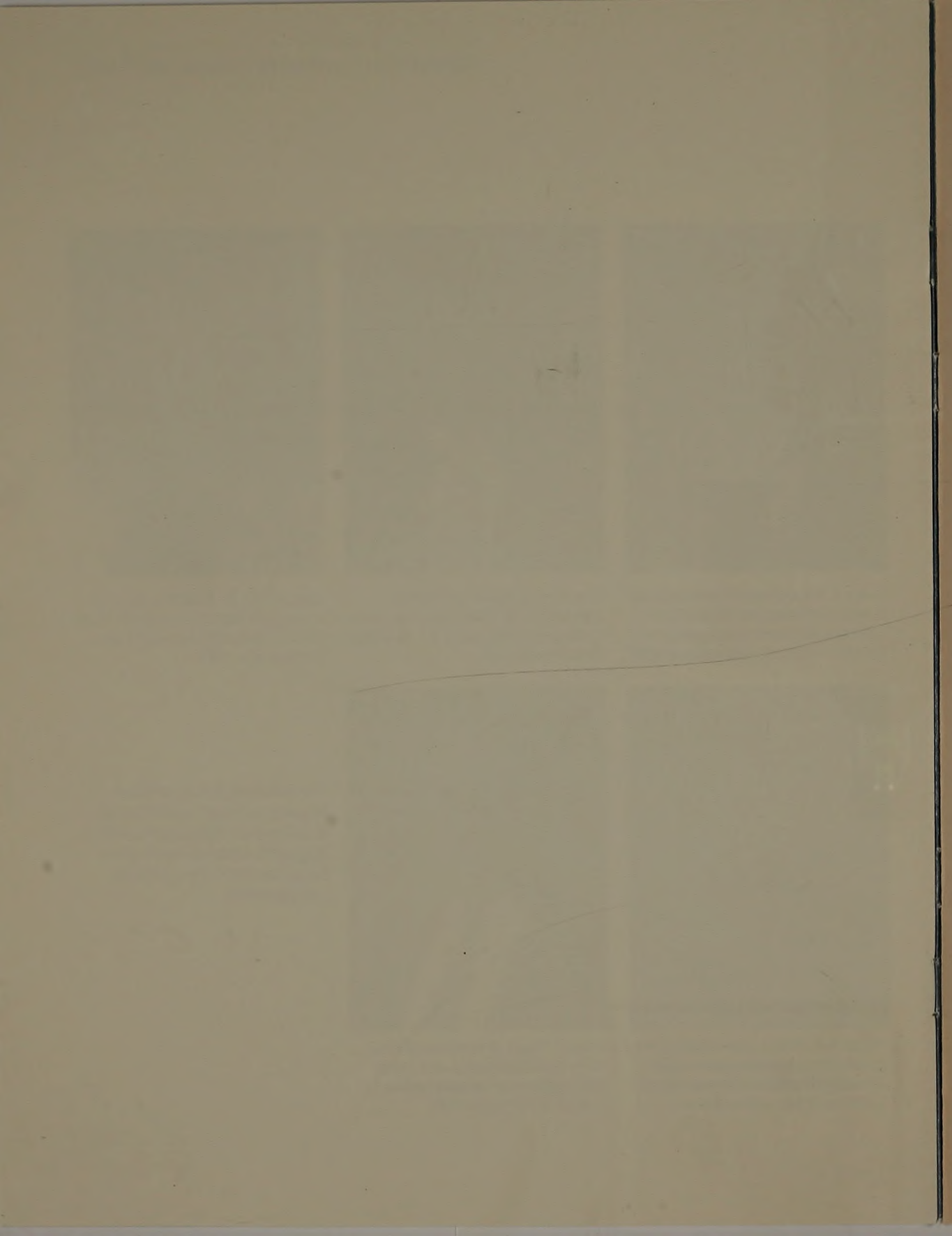
**Miguel A. Satul** is executive director of Oficina Hispana, a non-profit educational and social service agency in Boston. Term expires 1990.



**Paul F. Nace** is president of Paul Nace and Associates, a real estate development and consulting firm in Boston. Term expires 1991.

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.







Coopers & Lybrand  
Independent Certified Public Accountants

Massachusetts Port Authority  
Boston, Massachusetts

We have examined the balance sheets of Massachusetts Port Authority as of June 30, 1985 and 1984, and the related statements of income and changes in retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Massachusetts Port Authority at June 30, 1985 and 1984, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted auditing principles applied on a consistent basis.

*Coopers & Lybrand*

Boston, Massachusetts  
August 26, 1985



Massachusetts Port Authority  
**Balance Sheets**  
June 30, 1985 and 1984

	1985	1984
	<i>(Dollar amounts in thousands)</i>	
<b>Assets</b>		
Cash (Note C) .....	\$ 1,469	\$ 575
Investments in U.S. Government obligations and certificates of deposit at amortized cost, which approximates market, including accrued interest (Notes C and G) .....	169,811	122,665
Accounts receivable, less allowance for doubtful accounts of \$1,321,000 in 1985 and \$767,000 in 1984 .....	11,392	12,059
Prepayments and other assets .....	5,999	5,484
	<u>188,671</u>	<u>140,783</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports .....	469,450	449,473
Bridge .....	62,893	59,340
Port (Note I) .....	118,119	114,838
	650,462	623,651
Less accumulated depreciation and amortization .....	<u>(242,986)</u>	<u>(219,769)</u>
	407,476	403,882
Construction in progress .....	58,831	31,235
Net investment in facilities .....	466,307	435,117
Total Assets .....	<u>\$654,978</u>	<u>\$575,900</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ 17,813	\$ 13,981
Accrued pension cost (Note H) .....	6,109	6,409
Accrued interest payable .....	9,736	11,512
Notes payable (Notes E and G) .....	23,000	22,400
Funded debt (Notes F and G) .....	273,515	227,450
Total Liabilities .....	330,173	281,752
Deferred income .....	2,071	1,858
Contingent liabilities and commitments (Notes I, K and M)		
<b>Fund Equity (Notes B and C)</b>		
Retained earnings .....	280,075	251,669
Contributed capital, grants-in-aid of construction .....	42,659	40,621
Total Fund Equity .....	<u>322,734</u>	<u>292,290</u>
Total Liabilities and Fund Equity .....	<u>\$654,978</u>	<u>\$575,900</u>



## Massachusetts Port Authority

**Statements of Income and Changes in Retained Earnings**

for the years ended June 30, 1985 and 1984

	<u>1985</u>	<u>1984</u>
	<i>(Dollar amounts in thousands)</i>	
<b>Revenues</b> <i>(Note B):</i>		
Tolls, fees and sales of services .....	\$ 61,690	\$ 57,224
Rentals <i>(Note L)</i> .....	29,202	27,216
Concessions <i>(Note L)</i> .....	41,118	34,492
Income on investments <i>(Note A)</i> .....	13,187	16,116
Other .....	<u>2,045</u>	<u>1,315</u>
Total Revenues .....	<u>147,242</u>	<u>136,363</u>
<b>Expenses</b> <i>(Note B):</i>		
Operations and maintenance .....	52,640	48,793
Administration .....	18,682	15,062
Insurance .....	1,604	1,416
Pension cost <i>(Note H)</i> .....	1,780	2,896
Interest <i>(Note A)</i> .....	17,605	20,663
In lieu of taxes <i>(Note J)</i> .....	<u>5,535</u>	<u>5,255</u>
Total Expenses .....	<u>97,846</u>	<u>94,085</u>
<b>Income before depreciation and amortization and extraordinary item</b> .....	49,396	42,278
Depreciation and amortization, including \$2,549,000 in 1985 and \$2,337,000 in 1984 on assets acquired with contributed capital, grants-in-aid of construction .....	<u>23,539</u>	<u>22,488</u>
<b>Income before extraordinary item</b> .....	25,857	19,790
Extraordinary item:		
Loss on extinguishment of debt <i>(Note G)</i> .....	<u>—</u>	<u>708</u>
<b>Net income</b> .....	25,857	19,082
Add credit arising from transfer of depreciation to contributed capital .....	2,549	2,337
Retained earnings, at beginning of year .....	<u>251,669</u>	<u>230,250</u>
<b>Retained earnings, at end of year</b> .....	<u>\$280,075</u>	<u>\$251,669</u>



## Massachusetts Port Authority

**Statements of Changes in Financial Position**

for the years ended June 30, 1985 and 1984

	<u>1985</u>	<u>1984</u>
	<i>(Dollar amounts in thousands)</i>	
<b>Funds Provided From:</b>		
Income before extraordinary item . . . . .	\$ 25,857	\$ 19,790
Adjustments for noncash transactions:		
Depreciation and amortization . . . . .	<u>23,539</u>	<u>22,488</u>
Funds provided from operations before extraordinary item . . . . .	49,396	42,278
Loss on extinguishment of debt . . . . .	—	(708)
Contributed capital, grants-in-aid of construction . . . . .	4,587	3,266
Increase in deferred income and liabilities other than funded debt and notes payable . . . . .	1,969	2,648
Issuance of funded debt . . . . .	49,000	—
Issuance of notes payable . . . . .	<u>600</u>	<u>—</u>
Total Funds Provided . . . . .	<u>105,552</u>	<u>47,484</u>
<b>Funds Applied To:</b>		
Cost of facilities . . . . .	54,729	28,492
Retirement of funded debt . . . . .	2,935	57,760
Reduction in notes payable (Note G) . . . . .	—	600
(Decrease) increase in other assets . . . . .	<u>(152)</u>	<u>3,027</u>
Total Funds Applied . . . . .	<u>57,512</u>	<u>89,879</u>
<b>Net Increase (Decrease) In Cash And Investments . . . . .</b>	<u>\$ 48,040</u>	<u>\$ (42,395)</u>



## Massachusetts Port Authority Notes to Financial Statements

The Massachusetts Port Authority is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### A. Accounting Principles:

Facilities are carried at cost, and include the expenditure of Federal Aviation Administration and Economic Development Administration grants-in-aid of construction and the cost of significant renewals and betterments. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning generally in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes interest in accordance with Financial Accounting Standards Board Statement No. 62 which requires the capitalization of interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$1,078,000 in 1985 and \$3,350,000 in 1984, reduced by interest income of \$1,404,000 in 1985 and \$1,402,000

in 1984, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement. (See Note B.)

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund, the Interest and Sinking Fund (which is applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



Massachusetts Port Authority  
**Notes to Financial Statements, Continued**

**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:**

Presented below are the fiscal 1985 and 1984 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation, amortization and extraordinary item as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

	Fiscal 1985					Fiscal 1984	
	Bridge	Airport Properties	Port Properties*		Facilities Management	Investment Income	Combined Total
			Maritime	Development**			Combined Total
<b>Revenues:</b>							
1978 pledged revenues	\$6,545	\$ 51,142	\$ —	\$ —	\$ —	\$12,103	\$ 69,790
Other	—	53,051	20,728	1,699	765	265	76,508
	<u>\$6,545</u>	<u>\$104,193</u>	<u>\$20,728</u>	<u>\$1,699</u>	<u>\$765</u>	<u>\$12,368</u>	<u>\$136,527</u>
<b>Operating Expenses:</b>							
Operations and maintenance	\$1,798	\$ 33,239	\$16,023	\$1,267	\$313		\$ 52,640
Administration	1,097	12,287	3,923	963	412		18,682
Insurance	253	1,018	415	150	8		1,844
Pension (Note H)	171	1,413	349	96	51		2,080
Loss on sale of equipment	—	—	197	—	—		197
	<u>\$3,319</u>	<u>\$ 47,957</u>	<u>\$20,907</u>	<u>\$2,476</u>	<u>\$784</u>		<u>\$ 75,443</u>
<b>Excess of Revenues Over Operating Expenses Under Trust Agreement</b>							\$ 70,855
Add: Self Insurance Cost (Expensed Under Trust Agreement; Not an expense under GAAP.)							240
Add: Pension Cost (Pension cost is greater under Trust Agreement than under GAAP.)							300
Add: Difference on loss on sale of equipment (Equipment is not depreciated under Trust Agreement. Equipment sold was fully depreciated under GAAP. Equipment with an original cost of \$322,000 was sold for an amount of \$125,000, thereby resulting in a loss of \$197,000 under the Trust Agreement, and a gain of \$125,000 under GAAP.)							322
Add: Interest income/1982 Construction Fund (Interest income on 1982 Construction Fund recorded as an addition to the 1982 Construction Fund under Trust Agreement; Recorded as revenue under GAAP.)							819
Less: Payments in lieu of taxes (Not an operating expense under Trust Agreement; Expensed under GAAP.)							(5,535)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (Not an operating expense under Trust Agreement; Expensed under GAAP.)							(17,605)
Less: Interest income from short-term notes included in pledged revenues (Recorded as revenue under Trust Agreement; Recorded as reduction of interest expenditure capitalized (not as revenue) under GAAP.)							—
<b>Income Before Depreciation, Amortization and Extraordinary Item Under GAAP</b>							<u>\$ 49,396</u>
							<u>\$ 42,278</u>

\*None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note I).

\*\*Development includes the activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.



**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:**

Under the provision of the Trust Agreement all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year. At June 30, 1985, unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$39,364,000.

**C. Cash and Investments:**

The following summarizes the Authority's cash and investments at June 30, 1985, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
	<i>(Dollar amounts in thousands)</i>		
<b>Use defined for specific purposes*:</b>			
1978 Debt Service Fund .....	\$ 511	\$ 32,001	\$ 32,512
Operating Fund, including			
appropriations for self-insurance .....	101	5,132	5,233
Maintenance Reserve Fund .....	35	40,629	40,664
In Lieu of Taxes Fund .....	12	3,252	3,264
Improvement and Extension Fund .....	785	56,665	57,450
1982 Construction Fund .....	3	2,401	2,404
1984 Interest & Sinking Fund .....	14	4,884	4,898
1984 Construction Fund .....	8	24,847	24,855
	<u>\$1,469</u>	<u>\$169,811</u>	<u>\$171,280</u>

\*See also Note B for the amount of unexpended pledged revenues at June 30, 1985.

The Authority's investments include repurchase agreements which are collateralized by obligations of the Federal government. The collateral is held in custody by a bank for the benefit of the Authority.

**D. Investments in Facilities and Depreciation:**

Investments in facilities at June 30, 1985 and 1984, comprise:

	<u>1985</u>	<u>1984</u>
	<i>(Dollar amounts in thousands)</i>	
<b>Facilities completed:</b>		
Land and land improvements .....	\$ 82,087	\$ 79,175
Bridge and bridge improvements .....	61,756	58,496
Buildings .....	332,085	325,970
Runways and other paving .....	150,388	139,925
Machinery and equipment .....	24,146	20,085
Accumulated depreciation .....	<u>(242,986)</u>	<u>(219,769)</u>
	407,476	403,882
<b>Construction in progress</b>	<u>58,831</u>	<u>31,235</u>
<b>Net investment in facilities</b> .....	<u>\$466,307</u>	<u>\$435,117</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge .....	100 years
Bridge improvements .....	10 and 25 years
Airport facilities—buildings, runways and other paving .....	10 and 25 years
Port facilities—buildings and piers .....	25 years
Machinery and equipment .....	10 years



Massachusetts Port Authority  
**Notes to Financial Statements, Continued**

**E. Notes Payable:**

The Authority has outstanding at June 30, 1985 short-term notes totaling \$23,000,000 with various maturities up to 360 days and interest rates from 4% to 5½% (See Note G). The notes are subordinated to bonds issued under the Authority's Trust Agreement and to certain other obligations. The notes are collateralized by a pledge, which is subordinated as described above, of all amounts on deposit in the Improvement and Extension Fund including amounts in the Capital Budget Account.

In connection with the issuance of these notes, the Authority obtained a commitment from a financial institution under which it may borrow under a revolving credit agreement up to \$24,000,000 solely for the purpose of paying maturing short-term notes. The Authority is required under the note agreement to borrow under the credit agreement to the extent that it does not have other moneys available to pay the principal and interest on the notes when due. There were no borrowings against this commitment at June 30, 1985.

**F. Funded Debt:**

Funded debt at June 30, 1985 (See Note G), is comprised of:

(Dollar amounts in thousands)

Revenue Refunding Bonds, <i>Series 1978*</i>			Adjustable Rate Revenue Bonds, <i>Series 1984**</i>		
<u>Maturity on</u> <u>July 1</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Total</u>
<b>Serial bonds:</b>					
1985	5.9%	\$ 3,105	See Below**	\$ —	\$ 3,105
1986	6.0	3,300		170	3,470
1987	6.0	3,505		190	3,695
1988	6.1	3,720		220	3,940
1989	6.2	3,955		245	4,200
1990	6.3	4,000		280	4,280
1991	6.4	4,265		315	4,580
1992	6.5	4,545		355	4,900
1993	6.6	4,840		400	5,240
1994	6.7	5,165		450	5,615
1995	6.8	5,520	510	6,030	
1996	6.8	5,905	575	6,480	
1997	6.9	6,305	645	6,950	
Thereafter				44,645	44,645
Total Serial Bonds		58,130		49,000	107,130
<b>Term bonds:</b>					
1998-2012	7.125	166,385		\$ —	166,385
<b>Total funded debt</b>		<u>\$224,515</u>		<u>\$49,000</u>	<u>\$273,515</u>

\*See Note B for revenues pledged as security for the 1978 Bonds.

\*\*The 1984 Bonds bear interest at a variable rate, not to exceed 12¾%.

Interest is payable semi-annually on July 1 and January 1 (Interest Payment Dates) of each year. The annual rate of interest is adjusted on each Interest Payment Date for the succeeding six month period, to a market rate determined by a Remarketing Agent under the terms of a Remarketing and Indexing Agent Agreement. The bonds were issued in November, 1984 at an initial rate of 6¼%. The rate was adjusted to 4¾% on July 1, 1985 for the six month period ending December 31, 1985.



## F. Funded Debt, continued:

Holders of the 1984 Bonds have the right to tender all or any portion of their 1984 Bonds for purchase at par on any Interest Payment Date. Such bonds may be purchased at par by the Authority or remarketed at par by the Remarketing Agent. In connection with the issuance of the 1984 Bonds, the Authority entered into a Stand-By Purchase Agreement with a financial institution, whereby the financial institution agreed to purchase at par, any and all tendered 1984 Bonds, to the extent that such bonds are not previously purchased by the Authority or remarketed by the Remarketing Agent. On the most recent Interest Payment Date, July 1, 1985, all tendered bonds were remarketed by the Remarketing Agent.

The Authority may redeem the 1984 Bonds at par, in whole or in part, on any Interest Payment Date.

## G. Extinguishment of Debt:

On July 10, 1984, the Authority defeased, by depositing cash and securities with a trustee, all of its outstanding Revenue Bonds Series 1982 aggregating \$54,550,000. The defeasance and the resulting extraordinary loss of \$708,000 were reflected in the financial statements as of June 30, 1984. In addition, the July 1, 1984 redemption of \$230,000 of Series 1982 Revenue Bonds and the required reduction in short-term notes payable on July 9, 1984 of \$600,000 were reflected in accounts payable in the accompanying financial statements, as of June 30, 1984.

## H. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System" (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to

this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as of July 1, 1973, over a 25-year period commencing in fiscal 1974. In addition, certain actuarial assumptions underlying the actuarial computation of pension expense changed, resulting in a decrease to the Authority's fiscal year 1985 pension expense. Total pension expense so determined was \$1,780,000 in fiscal 1985 and \$2,896,000 in fiscal 1984.

The accumulated plan benefits and plan net assets at January 1, 1984 and 1983, are as follows:

Actuarial present value of accumulated plan benefits:

	1984	1983
Vested . . . . .	\$24,215,469	\$20,730,061
Nonvested . . . . .	233,792	360,584
	<u>\$24,449,261</u>	<u>\$21,090,645</u>
Net assets available for benefits . . . . .	<u>\$27,123,726</u>	<u>\$20,762,392</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

Plan assets have been accumulated by making contributions equal to current year costs plus amortization of past service costs determined on a going concern basis, while the determination of the actuarial present value of accumulated plan benefits as presented above is essentially a "plan termination" type calculation which uses methods and assumptions which are not comparable with the methods and assumptions used to determine current year pension costs. In addition, the fair value of net assets available for plan benefits will fluctuate. Because of the differences in computational methods and the fluctuations in the fair value of net assets, the actuarial present value of accumulated plan benefits and the fair value of net assets available for plan benefits are not readily comparable.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was \$185,000 for the year ended June 30, 1985.



Massachusetts Port Authority  
**Notes to Financial Statements, Continued**

**I. Contingent Liabilities and Commitments:**

**Payments to The Commonwealth of Massachusetts for Port Facilities:**

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1985, the amount contingently payable to the Commonwealth, not reflected in the financial statements, aggregated \$17,898,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$8,949,000 in fiscal 1985, which amount has been added to such prior years' deficiencies of \$71,447,000. The cumulative cash deficit of \$80,396,000 is to be applied against future Port Properties net revenues before payments are required in future years.

**Contractual obligations for construction:**

Contractual obligations for construction were approximately \$46,087,000 at June 30, 1985.

**J. In Lieu of Taxes:**

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments

aggregating approximately \$5,535,000 to these cities, of which \$4,500,000 is subject to annual adjustment through 1988 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from fiscal 1988 through fiscal 1993, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payments to the Commonwealth (*See Note I*), payment of operating expenses and the deposits to the Maintenance Reserve Fund.

**K. Litigation:**

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 40 lawsuits have been filed naming or joining the Authority as a direct or third-party defendant. These lawsuits include personal injury actions by passengers and members of the flight crew, an action by Hughes Aircraft Corporation alleging damage to certain flight instruments on board the aircraft at the time of the incident, and third-party complaints and a direct complaint filed by World against both the Authority and the Federal Aviation Administration (FAA). The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated to pay to passengers for personal injuries. World has also moved to amend its direct complaint against

the Authority to include a claim under Massachusetts General Laws c. 93A which prohibits unfair or deceptive acts and practices in trade or commerce and provides for treble damages in the event of a knowing or willful violation. The Authority has filed its opposition to this motion. The Authority has also filed appropriate responsive pleadings in each of the lawsuits denying all liability and containing appropriate cross claims. In addition to the lawsuits, 17 claims arising out of this incident have been filed with the Authority to date. Any additional claims or lawsuits filed against the Authority alleging negligence may be barred by the three year statute of limitations governing such suits.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and analysis of the asserted claims following extensive discovery to date the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.



#### L. Leases:

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income received under these provisions was approximately \$13,874,000 in fiscal 1985 and \$12,566,000 in fiscal 1984.

Minimum future rentals, excluding contingent rentals, receivable from noncancelable operating leases as of June 30, 1985 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
	<i>(Dollar amounts in thousands)</i>
1986	\$ 14,430
1987	13,511
1988	12,791
1989	11,703
1990	11,352
Thereafter	<u>134,305</u>
	<u>\$198,092</u>

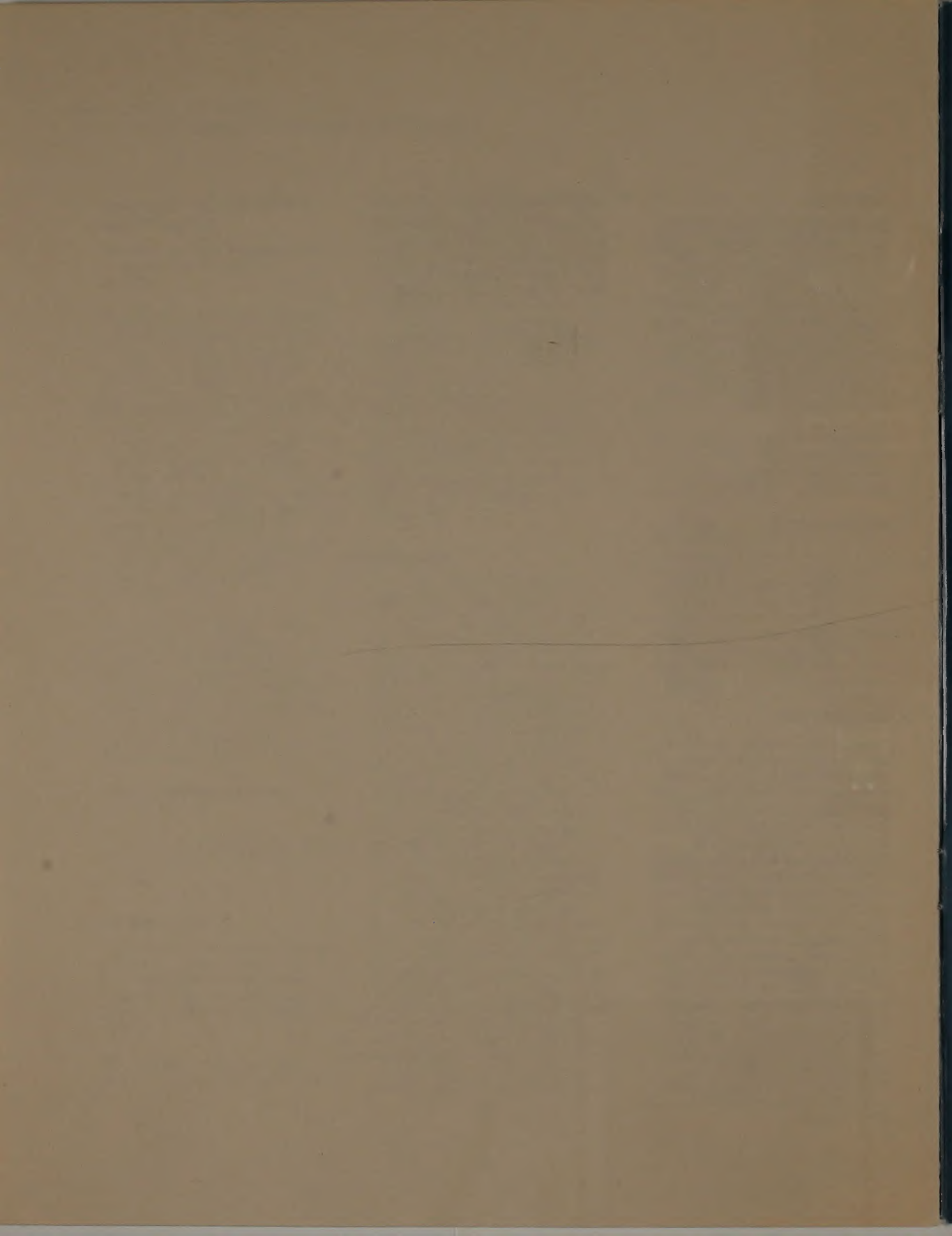
#### M. Related Party:

In June of 1984, the Authority entered into a lease agreement (expiring in June of 1988) with the Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$834,000 in fiscal 1985 to the Commonwealth of Massachusetts. The Authority also entered into a contract which expired on June 30, 1985 and was renewed through June 30, 1986, to provide building management services for the State Transportation Building. Consideration for these services was \$199,000 in fiscal year 1985. The Commonwealth of Massachusetts also reimbursed to the Authority approximately \$566,000 of direct building management expenses incurred by the Authority and approximately \$3,600,000 for building expense paid by the Authority on behalf of the Commonwealth of Massachusetts.

#### N. Subsequent Event:

On August 22, 1985, the Board of Members of the Authority adopted resolutions which could result in the issuance of Revenue Refunding Bonds. The proceeds from the issuance of the bonds will be used to refund the outstanding notes payable (*See Note E*) and the adjustable rate revenue bonds, Series 1984 (*See Note F*).







## Massachusetts Port Authority

### Properties and Performance, FY 85

**Gross revenues, Authority-wide** ..... \$147.2 million  
**Net revenues** ..... 70.9 million

(Does not include in lieu of tax payments,  
interest on funded debt, or depreciation)

#### **Logan International Airport**

Total passengers ..... 20.4 million  
Domestic ..... 17.1 million  
International ..... 2.2 million  
Total pounds of cargo and mail ..... 670.4 million  
Compliance with Part 36, federal noise standards . 90.0 percent

#### **Hanscom Field, civilian**

Total operations ..... 244,621

#### **Port of Boston**

General cargo, tons ..... 1.1 million  
Value of cargo ..... \$4.0 billion

#### **Moran Container Terminal**

Containers handled ..... 45,567

#### **South Boston Terminals**

(Conley and Massport Marine Terminals)

Containers handled ..... 40,792  
Imported automobiles ..... 87,576

#### **Memorial Bridge**

Total vehicle crossings ..... 24.9 million

#### **Boston Fish Pier**

Fish processed, pounds ..... 38.8 million  
Fish landed, pounds ..... 15.5 million

#### **Black Falcon Terminal**

Cruiseship facility under construction

#### **Constitution Plaza**

Multi-purpose facility at Hoosac Pier,  
leased to private development team

#### **World Trade Center**

International commercial facility at Commonwealth Pier,  
leased to private developers



**Massport**

Ten Park Plaza  
Boston, MA 02116-3971  
Telephone: (617) 973-5500  
Telex: 94-0365

**Massport/Far East**

New Diamond Building  
4-4 Kasumigaseki 1-Chome  
Chiyoda-Ku, Tokyo 100  
Japan  
Telephone: (03) 506-5204  
Telex: KLINCLTD J24957

**Massport/Europe**

87 Jermyn Street  
St. James  
London SW 1, England  
Telephone: 01-930-7949  
Telex: 917835

**Massport/New York**

Woolworth Building  
233 Broadway, Suite 818  
New York, NY 10007  
Telephone: (212) 608-0775

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# MASSPORT

'86

PUTTING IT ALL TOGETHER

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TC 50.1:  
986 ✓



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*The Annual Report of  
the Massachusetts Port Authority  
for the fiscal year ending  
June 30, 1980.*



JUL 27 1987

University of Massachusetts  
Boston, MA**RESULTS UNDER PRESSURE.**

Massport has never been so busy. The prosperity of the region's economy and the resulting heightened demand for transportation services have placed new pressures on our facilities, our capital, and our employees.

In responding to these pressures, and in paving the way for economic growth in our region, Massport has been guided by three principles: open and careful planning, efficient financial and operational management, and good community relations.

These principles carry us well beyond the day-to-day operation of our airport, seaport, and bridge facilities. Massport has also pursued major programs to ease traffic around Logan Airport, control airport noise, revitalize Boston's commercial seaport, and maintain a balanced, multi-purpose waterfront.

To meet these challenges, we work closely with business, community, and political interests whose points of view are not always harmonious. In addition, we play a leading role in efforts to anticipate New England's transportation needs for the balance of this century.

To maintain the quality of our facilities and to meet growing demand, we have accelerated our efforts to reduce costs and improve fiscal controls, including preparation of the Authority's first-ever ten-year capital budget.



Today, Massport performs a complex and demanding role in our regional economy, a role that becomes more challenging with each passing year. Fortunately, as the job gets harder, the rewards and satisfactions become correspondingly greater.

With the guidance and support of our Commonwealth's public and private sector leaders, and through the dedication of an exceptionally able staff, Massport has established a proud record and mapped out a promising future.

We're working harder than ever and, I'm proud to say, we're getting results under pressure.

David W. Davis

A large, stylized handwritten signature of David W. Davis in dark ink.

Executive Director









## AIRPORT

*"We do more than just keep the terminals open and collect the rents. Our job is to create, as much as possible, a positive experience for our passengers, our neighbors, and our tenants."*

—William C. Coleman,  
Aviation Director



*Stage III  
aircraft engine,  
quietest at  
Logan, is  
encouraged  
under  
Massport's new  
noise rules.*





## A POSITIVE EXPERIENCE.

**T**he early effects of airline deregulation—new carriers and new traffic—have begun to fade, as suggested by a modest two percent increase in passengers at Boston's Logan International Airport.

However, the latest phenomenon, airline consolidation, creates new pressures. With fewer carriers competing in the marketplace, service plays a more important role in consumer choice, and upgraded terminals are a major part of that formula.

"Logan is in an excellent position to take advantage of these changes," William C. Coleman, Massport aviation director declared. "We have moved and continue to move toward improving Logan's physical facilities and passenger services."

Managing Logan also requires dealing with unique groundside issues. Unlike other large hubs, most Logan passengers begin or end their journeys at the airport, creating a pronounced need for ground transportation and passenger services.

Logan is also bordered on three sides by densely populated neighborhoods whose residents live beneath flight paths of the world's 12th busiest airport.



To keep pace with changes in the air cargo industry, Logan's air cargo marketing unit has begun developing a computerized cargo release system designed to speed clearance of goods.

Massport also manages Hanscom Field in Bedford, Massachusetts, where air traffic levels grew two percent without an increase in overall noise levels, the result of Massport's policy encouraging the use of newer and quieter aircraft.

To plan for growth at Hanscom, and balance it with the concerns of residents in neighboring communities, Massport prepared a Generic Environmental Impact Report that examines potential activities and development at the suburban airport.

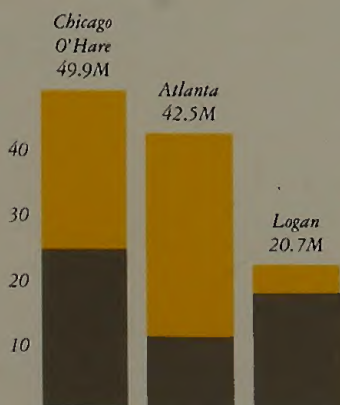
"We do more than just keep the terminals open and collect the rents," Coleman said. "Our job is to create, as much as possible, a positive experience for passengers, our neighbors, and our tenants. The hard part is managing their often competing needs."

To meet that challenge, Massport's Aviation Department made a number of significant improvements.

**NOISE RULES.** Massport maintained its leadership in noise abatement by developing and implementing new noise rules for Logan's carriers. It wasn't an easy job: the airlines wanted the greatest possible flexibility in scheduling flights and aircraft; Logan's neighbors wanted strict limits on night operations and noisy aircraft; business leaders wanted to ensure a smooth flow

#### BETTER NAVIGATION AT HANSCOM.

New instrument landing and lighting systems were installed at Hanscom Field, the region's second busiest airport.



#### BOSTON BEATS CHICAGO ON THE GROUND.

Logan passengers needing ground transportation services compared to two major U.S. airports.

■ Total passengers  
■ Passengers needing ground transportation

#### THE STATE OF ART AT LOGAN.

Works of art including sculptures, and other visual displays are featured in the airport's renovated Terminal C.

#### SATISFIED WATER SHUTTLE CUSTOMERS.

"It's great to have other options."

—Russ I. Buchanan, Cambridge, MA

"A great way to travel."

—Chris Chin, Hingham, MA

"What a relief from driving!"

—Daniel Claypool, Marshfield, MA

"Very convenient, including the shuttle bus."

—Sean M. Moss, New York, NY





of passengers and goods; and passengers wanted as many choices of flights as possible.

Massport designed a policy which restricts night-time flights and places limits on older, noisier aircraft. Airlines serving Logan can expand only if their overall operations meet Logan's noise standards, or if they guarantee that new flights will be handled with the most modern, quiet aircraft available. The new rules are tough, fair—and working.

**SOUNDPROOFING.** Massport also remained a national leader in innovative community soundproofing programs. To date, a total of 15 schools in East Boston, South Boston, Chelsea, and Winthrop have received soundproofing treatments to reduce aircraft noise

and improve the study environment; another five schools will be treated in the next two years.

Massport has also begun residential soundproofing aimed at seriously reducing noise in homes most directly affected by Logan operations. The new program will initially provide treatments to up to 150 homes.

**USER-FRIENDLY TERMINALS.** Work is continuing on the \$36 million renovation of Terminal C, Logan's oldest terminal, home of Delta, TWA, and United airlines. The terminal is already roomier, more efficient, and more comfortable, featuring new retail stores, ticket desks and baggage areas, as well as improved curbside access.

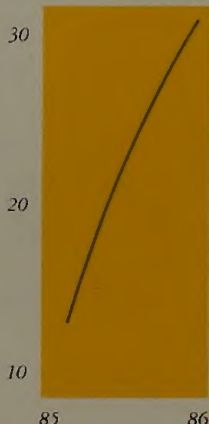


**1-800-23-LOGAN.**

Massport's telephone service provides the public with up-to-date information on airport parking and alternatives to driving.

**WAVE OF THE FUTURE.**

*In its second year, ridership on the Airport Water Shuttle climbed to 30,703 passengers.*



**"WHAT'S NEW, NEW ENGLAND"**

A unique new interactive tourism information system will be appearing soon at Logan passenger terminals. Video touchscreens will familiarize visitors with attractions throughout New England.

**LOGAN EXPRESS.**

*Following a successful (7,500 users) two-week tryout during the 1985 Thanksgiving season, Massport instituted new park and ride services between Logan and suburban locations.*



**SMOOTH LANDINGS.**

*Logan's runways received \$5.2 million worth of re-surfacing, re-grouting, and centerline lighting.*



The merger of Northwest and Republic airlines permitted smoother domestic-overseas links for Northwest travelers in Terminal E, as well as larger, more efficient waiting and baggage areas.

Because Logan is not the home base for any carrier, airlines can be relocated for maximum efficiency. New York Air was shifted from Terminal E to Terminal B, where it joined Pan Am's new shuttle service to New York City.

The Amelia Earhart General Aviation Terminal entered its second year, offering first-class corporate services and pilot lounges for the region's private and corporate aircraft community.

**A PARK FOR LOGAN.** One of the most positive contributions to the environment of the airport's neighbors was completion of a 20-acre Harborwalk Park at Logan South/Harborside.

The nearby Massachusetts Technology Center has not only provided new airport office space, but has

also worked as an effective noise buffer between Logan operations and adjacent neighborhoods.

**GROUND ACCESS GAINS.** Massport made strides against Logan Airport's two-pronged ground access problem: traffic and limited parking, both exaggerated by the high percentage of passengers—nearly 90 percent—who begin or end their flights in Boston.

Massport's goal is to transfer at least 10 percent of those travelers into non-automotive modes in order to reduce cross-harbor auto traffic and relieve parking pressures.

The Airport Water Shuttle to and from the downtown Boston waterfront doubled its ridership during its second year of operation. A park and ride service—Logan Express—began providing non-stop bus service between the airport and the South Shore; similar service is also available to and from Framingham. The new alternatives are supported by extensive advertising campaigns.





*Logan Airport  
sign shop worker  
puts finishing  
touches on  
sign for new  
express bus  
service.*









## SEAPORT

*"If the Port of Boston is to remain healthy, we must keep our costs competitive, our facilities modern and efficient, and our marketing efforts strong."*

—Anne D. Aylward  
Maritime Director



*Container  
operations at  
Conley Terminal  
in South Boston.*





## COMPETITIVE AND RELIABLE SERVICE.

**T**he Port of Boston, with centuries of experience as a center for international trade, is now entering a period of economic renaissance as a working commercial seaport and gateway to the New England market.

Reflecting continued positive performance, general cargo handled in [REDACTED] the Port of Boston's three public terminals topped one million tons for the second year in a row. Massport owns Moran Terminal in Charlestown, and Conley Terminal and Harbor Gateway Terminal in South Boston.

Overall, total general cargo in the Port has doubled since 1975, comprising nearly 46 percent of the region's imports and more than 51 percent of its exports. Valued at \$3,600 per ton—twice the national average—this general cargo is worth more than \$3.8 billion.

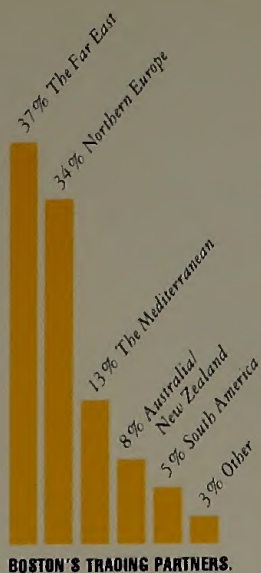
Massport's Maritime Department hosted the first annual Port of Boston Conference and, with the Aviation Department, co-sponsored Intercargo 86 to initiate discussion of—and action on—critical issues facing the cargo handling industry, shippers, and related businesses.





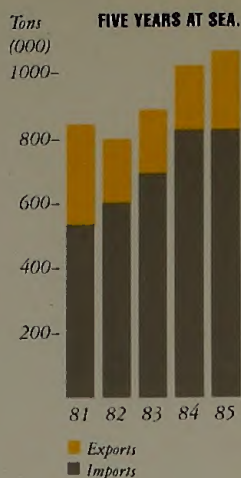
#### \$5 MILLION GETS \$7 MILLION.

Massport's \$5 million investment in a new cruiseship terminal will return more than \$7 million each year in tourist trade to the Massachusetts economy.



#### NEW SERVICE.

Five steamship lines added Boston calls to their schedules; Boston now has the most effective container barge system on the East Coast, with six sailings per week to and from New York.



#### THE \$200 MILLION BILL.

To protect 3,650 jobs and \$211 million in revenue generated by port related industries, Massport is actively campaigning to maintain Boston's Bill of Lading.

In May 1986 Massport formally dedicated its \$5 million Black Falcon Cruise Terminal, which welcomed 19 ships in its first year. The modern home for cruiseships and harbor vessels was the first public investment in waterborne recreation in Boston Harbor in many years.

Major overhaul and electrification of Moran Terminal's diesel-powered cranes was completed, allowing non-stop, low-maintenance operations. Another \$7 million is being invested to modernize Mystic Pier.

Technology is also playing an increasing role in the Port's management systems. Studies are being conducted on the feasibility of using both an automated customs clearance system to track shipments and a comprehensive management information system to coordinate operations and services.

"If the Port of Boston is to remain healthy into the future," said Anne D. Aylward, maritime director, "we must keep our costs competitive, our facilities modern and efficient, and our marketing efforts active—to serve our real and potential markets, as well as the port and business communities."



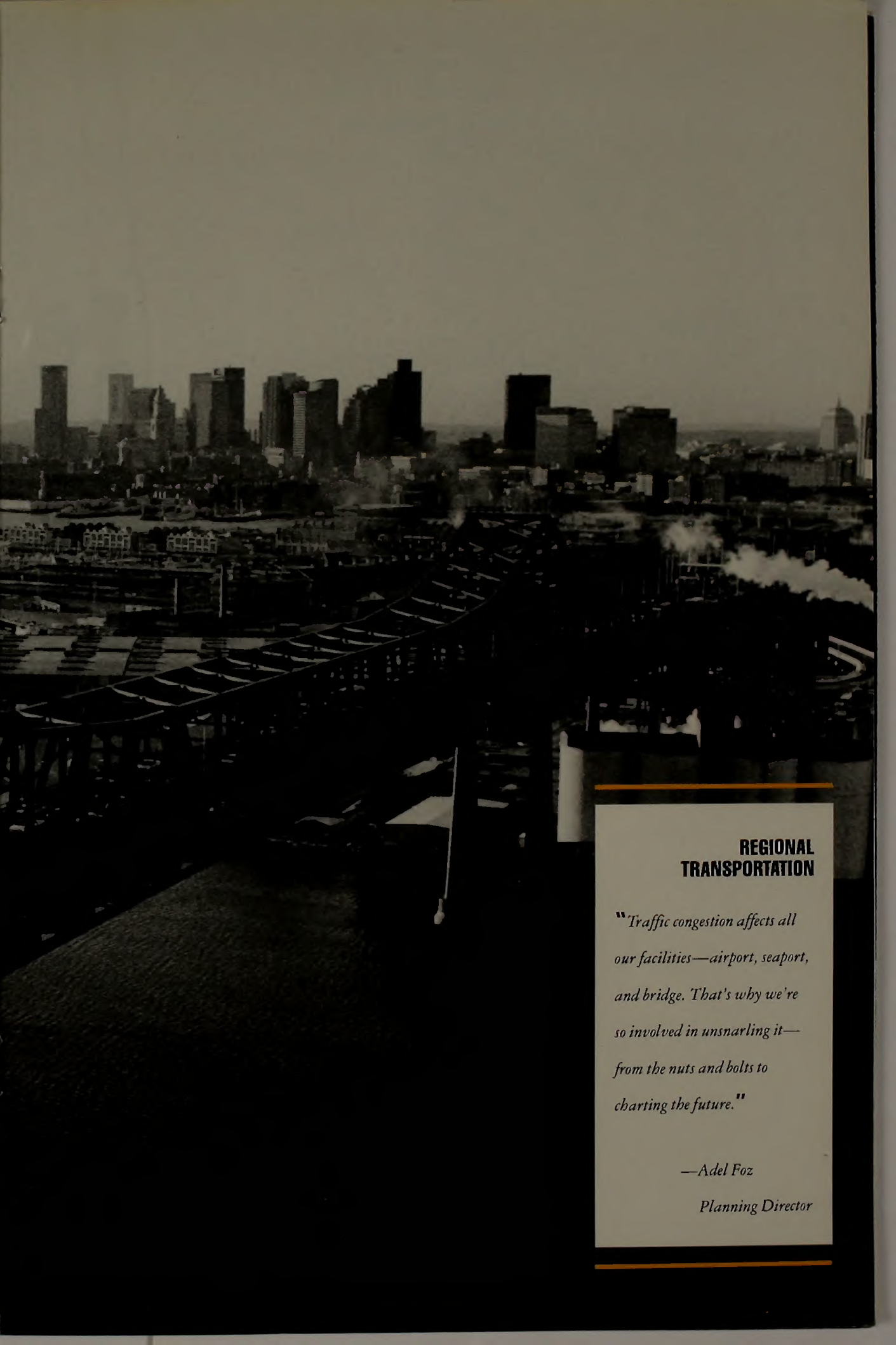


*The Black Falcon  
cruise terminal,  
Boston's new  
passenger facility,  
along the  
South Boston  
waterfront.*









---

## REGIONAL TRANSPORTATION

*"Traffic congestion affects all our facilities—airport, seaport, and bridge. That's why we're so involved in unsnarling it—from the nuts and bolts to charting the future."*

—Adel Foz

*Planning Director*

---



*Massport  
Planning  
Department  
session assesses  
future regional  
transportation  
improvements.*





## FROM NUTS & BOLTS TO THE FUTURE.

**O**ver thirty million vehicles crossed the Tobin Memorial Bridge last year. A staff of 54 men and women—toll collectors, maintenance workers, break-down specialists, and administrative personnel—work around the clock to assure safety and efficiency.

“Managing a bridge may seem relatively uncomplicated,” says Bridge Director Joe Greene. “But operating New England’s largest and the nation’s seventh busiest bridge requires continuous maintenance, attention to safety, daily management, and planning for its future.”

The bridge’s exceptional operating and safety record is no accident. Last year alone, Massport invested almost \$2 million in safety and roadway improvements, including new nuts, bolts and angle irons; new sodium lamps; a new video monitoring system with cameras to pinpoint traffic snarls and breakdowns; and updated training for emergency personnel.

Although recognizing that elevated lead levels in the soil in some areas near the bridge are a product of several different factors, Massport has taken the initiative to aid its neigh-



bors. Soil has been removed from areas around the Williams School in Chelsea and replaced with loam and sod; and selected residential areas will be similarly treated.

In this and other transportation-related programs, Massport and the region benefit from strong planning and direction from the Dukakis Administration. Massport Board Chairman Richard Giesser explains: "On some projects, we're the lead agency; on others, we're part of a team. In all cases, our efforts are coordinated with other transportation agencies and plans."

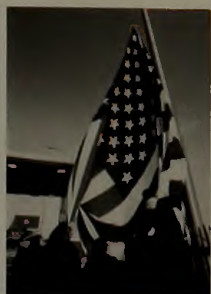
**THE ARTERY/TUNNEL CHART.** By any measure, the most important joint effort is the state's \$2.4 billion Central Artery/Third Harbor tunnel project. To prepare the way for this vital addition to the Boston area highway network, Massport has been studying possible roadway improvements at each end of the proposed tunnel.

Massport calls its study the Cross Harbor and Regional Transportation project, or CHART. The study examines issues such as anticipated demand for air travel at Logan Airport, terminal design, changes in airport roadways and the use of buses and other



#### STILL TWO BITS.

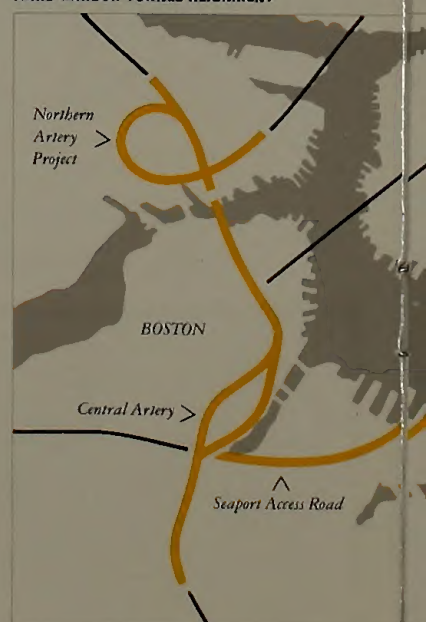
Tobin Bridge tolls of 25 cents per crossing—15 cents for commuters—have been unchanged since 1953.



#### FLYING OLD GLORY.

The largest American flag in Boston was raised on the bridge in June 1986.

#### PROPOSED CENTRAL ARTERY/ THIRD HARBOR TUNNEL ALIGNMENT



#### CHART.

New cross harbor tunnel to Logan Airport and Central Artery improvements are included in legislation pending in Congress.

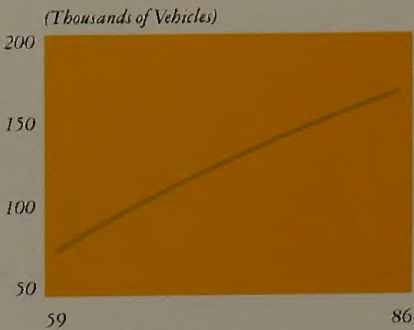
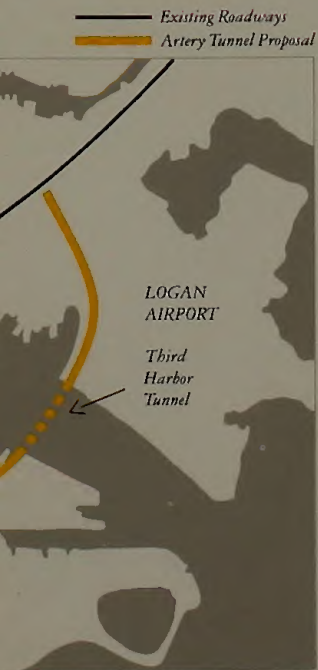


so-called High Occupancy Vehicles (HOV's) to reduce highway demand. CHART will also assess the impact of added traffic from new office, commercial and residential projects in South Boston, and recommend the best way to join the new tunnel to existing roadways.

**EXPLORING OTHER AIRPORTS.** Massport and the Massachusetts Aeronautics Commission are partners in a two-year study of airports throughout New England funded by the Federal Aviation Administration. Massport's portion of the study will measure the market potential for increased activity at 30 airports in

Massachusetts and surrounding states.

**GROUND ACCESS STRATEGY.** Ground access rather than airside capacity is the major question facing Logan Airport. Massport's strategy is to seek regional solutions while containing local environmental impact. Findings from CHART and other studies, experiments and improvement projects will help Massport planners select the best mix of solutions to Logan's traffic and parking problems.



**WHY THE ARTERY'S CLOGGED.** Designed to carry 75,000 vehicles per day when it was built in 1959, Boston's Central Artery now carries 165,000 vehicles.

**TOURIST ROLLS.** The state uses bridge figures to help determine the number of visitors to Boston from the North. This year, non-commuter traffic increased 12 percent.

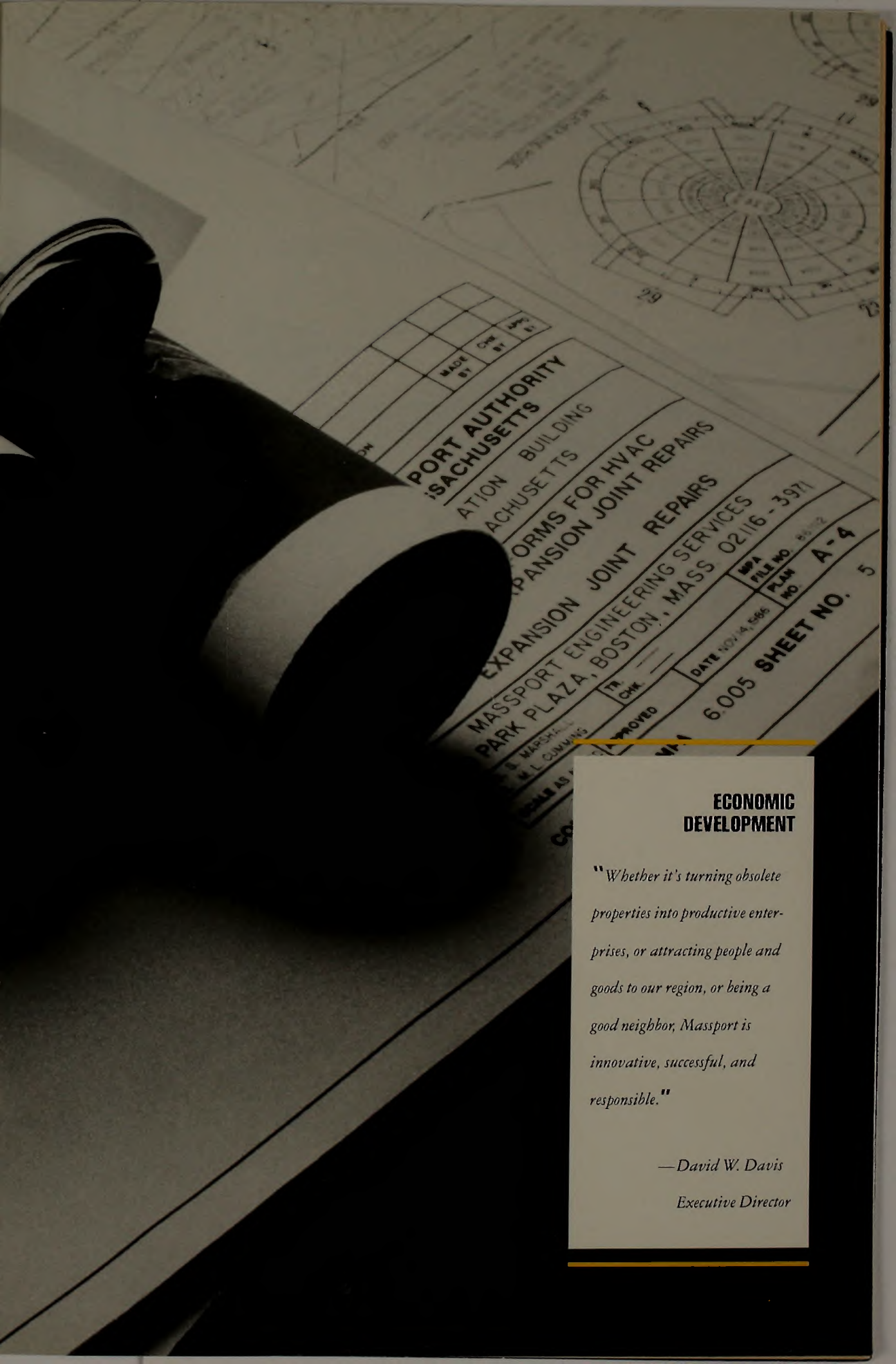


**EASING THE CHOKED POINT.** "The goal of the Department of Public Works Northern Artery project is to ease one of the state's worst traffic 'choke-points'—the junction of I-93, the Artery, and Massport's Tobin Bridge." Frederick P. Salvucci, Secretary of Transportation, Massachusetts



PARTIAL PLAN





## ECONOMIC DEVELOPMENT

*"Whether it's turning obsolete properties into productive enterprises, or attracting people and goods to our region, or being a good neighbor, Massport is innovative, successful, and responsible."*

—David W. Davis  
Executive Director



*Boston Shipyard,  
Massport's newest  
acquisition, will  
be redeveloped  
to provide ship  
repair and  
marine  
services.*





## INNOVATIVE, RESPONSIBLE MANAGEMENT.

**W**hat has made our real estate projects challenging and complicated has been the need to develop them well ahead of normal real estate market forces, and to come up with re-uses that benefit both the region and Massport," explained Elliot Friedman, Massport's director of [REDACTED] property management and real estate development. "To accomplish this, we have assumed many of the early project costs thereby reducing developer risk and insuring that broader economic uses occur."

In addition to developing and managing its facilities, Massport uses its resources and management skill to improve the lives of the people who depend on the Authority as an employer, a neighbor, and provider of transportation services. "Massport has a responsibility to make positive things happen where and when and for whom they might not happen on their own," Patrick B. Moscaritolo, director of public and governmental affairs said.





**WORLD TRADE CENTER BOSTON**, at Commonwealth Pier.

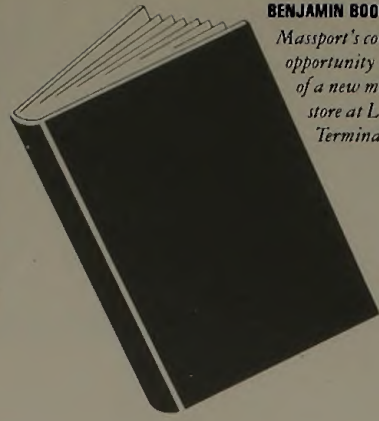
**STATE OF THE ART DAY CARE.**

*When Governor Michael Dukakis dedicated a new day care center in The Transportation Building, he said: "The new center allows parents working for the Commonwealth to go to their jobs knowing that their children are in the best possible hands."*



**BENJAMIN BOOK.**

*Massport's commitment to equal opportunity led to the opening of a new minority-owned bookstore at Logan Airport's Terminal C.*



## PROPERTIES.

In considering the revitalization options for certain waterfront properties, Massport is concerned with much more than physical changes. Market studies, job enhancement, community impact, financial stability, and engineering, legal, and environmental reviews are all part of the process of decision making.

Massport also commits its own resources to assure success. To support the World Trade Center Boston and the Fish Pier, for example, Massport made major infrastructure improvements along Northern Avenue.

**THE WORLD TRADE CENTER BOSTON.** The \$85 million transformation of Commonwealth Pier is creating Boston's first center of international commerce and foreign trade. The site provides 865,000 square feet of office space, a market center, exhibition areas, and conference center, as well as docking for harbor vessels.

**THE BOSTON FISH PIER.** The revitalization of this 72-year old structure includes new processing, docking, and utilities systems. Revenues from rental of prime office space at the pier—located near the burgeoning Fort Point Channel area—subsidize the modernized fish processing operations.

**CONSTITUTION PLAZA.** The exceptionally successful conversion of Hoosac Pier into multi-purpose Constitution Plaza is an important development in Charlestown. Overlooking the U.S.S. Constitution, the low-rise waterfront development includes fully-leased office space, a busy waterfront restaurant, a new marina and public walkway.

**THE TRANSPORTATION BUILDING.** Massport is under contract with the Commonwealth of Massachusetts to act as manager of Ten Park Plaza, the state's new transportation building.

Last fall, an historic agreement with private developers was signed, clearing the way for development of more than 50,000 square feet of ground floor commercial space called CityPlace.

**THE BOSTON SHIPYARD.** The Boston Shipyard, purchased by Massport in November 1985, is being developed as a combination boat repair facility and marina.

**EAST BOSTON PIERS.** A portion of the East Boston Piers is being re-developed as a lobster terminal and waterfront park with input from Boston harbor lobstermen and nearby residents.



**BOSTON FISH PIER.**

The new home of Boston's oldest industry.



35.9M Boston

1.7M Chelsea

.8M Winthrop

**IN LIEU OF TAXES.**

Since 1979, Massport has contributed a total of \$38.4 million to the cities of Boston and Chelsea and the town of Winthrop.

**CONSTITUTION PLAZA.**

Old Hoosac Pier shines in Charlestown.

**A CAPITAL IDEA.**

"In April 1986 Massport took the unprecedented step of issuing a ten-year capital budget. The complexity and ambition of the Authority required it. The results are valuable and sobering."

Gloria Vokonas,  
Administration and Finance  
Director

## PROGRAMS.

Whether encouraging travelers to visit Boston; or marketing New England small businesses overseas; or aiding communities or helping women, minorities, or its neighbors, Massport is creative and committed, and often without peer in the public sector.

**SELLING OUR REGION TO THE WORLD.** With tourism now Massachusetts' second largest industry, Massport actively promotes its airport and seaport properties as gateways to New England.

Using the theme "America Begins in New England," Massport plays a major role in travel trade shows worldwide, and supports state tourism campaigns such as the Commonwealth's Japanese Marketing Program, expected to draw over 90,000 Japanese visitors to New England in 1986.

Massport offices in London and Japan provide assistance in researching local markets, as well as developing valuable travel, media, and tourism contacts.

**THE TOOLS OF TRADE.** As the region becomes more dependent on foreign trade, Massport helps smaller companies throughout New England do business overseas. The 150 firms selected to participate in

Massport's Trade Development Program have reported \$4.1 million in export sales for fiscal 1986.

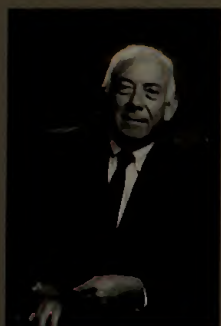
In providing these services, Massport not only taps the expertise of its staff in Boston, London, and Tokyo, but also draws upon a network of business, financial, academic, and governmental institutions, including Boston's new World Trade Center.

**AIDING OUR NEIGHBORS.** For the eighth consecutive year, Massport made in lieu of tax payments to municipalities where Authority properties are located. Boston, Chelsea, and Winthrop together received \$5.9 million in fiscal 1986.

**OPPORTUNITY FOR ALL.** Massport's Youth Employment and Training Program employs and trains young people from Boston and communities surrounding Logan for jobs at Massport facilities. Also, students from East Boston High School and the Umana School benefit from a program offering scholarships and workplace opportunities. The Compliance Department made gains for minority and women-owned businesses, focusing on Logan Airport's businesses and vendors.



## MASSPORT BOARD MEMBERS.



Richard A. Giesser, chairman, is chairman of the Small Business Foundation of America. Term expires 1989.



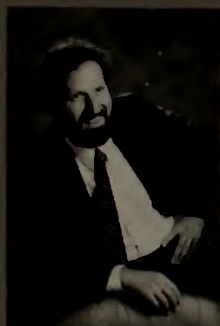
John A. Vitagliano, vice chairman, is superintendent of tolls collection for the Massachusetts Turnpike Authority. Term expires 1992.



Jacquelyn R. Smith is financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires 1987.



E. Paul Robsham is president of Robsham Industries, a real estate development firm in Framingham, Massachusetts. Term expires 1988.



Miguel A. Satut is president of Associated Grantmakers of Massachusetts, a Boston-based non-profit organization of corporations and foundations involved in philanthropic projects in Massachusetts. Term expires 1990.



Paul F. Nace, Jr. is a real estate developer and consultant in Boston. Term expires 1991.



Charles M. Raso is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1993.

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.

Michael S. Dukakis  
Governor of the  
Commonwealth of  
Massachusetts

Frederick P. Salvucci  
Secretary, Executive Office  
of Transportation and  
Construction



**FINANCIAL SECTION**

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Coopers & Lybrand  
Independent Certified Public Accountants

Massachusetts Port Authority  
Boston, Massachusetts

We have examined the balance sheets of the Massachusetts Port Authority as of June 30, 1986 and 1985, and the related statements of income and changes in retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Massachusetts Port Authority at June 30, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

Boston, Massachusetts  
August 29, 1986



**BALANCE SHEETS** June 30, 1986 and 1985

	1986	1985
	(Dollar amounts in thousands)	
<b>Assets</b>		
Cash (Note C) . . . . .	\$ 1,547	\$ 1,469
Investments (Notes A and C) . . . . .	151,146	169,811
Accounts receivable, less allowance for doubtful accounts of \$1,141,000 in 1986 and \$1,321,000 in 1985 . . . . .	11,658	11,392
Prepayments and other assets . . . . .	6,056	5,999
	<u>170,407</u>	<u>188,671</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports . . . . .	479,343	469,450
Bridge . . . . .	63,062	62,893
Port (Note H) . . . . .	165,334	118,119
	<u>707,739</u>	<u>650,462</u>
Less accumulated depreciation and amortization . . . . .	(267,360)	(242,986)
	<u>440,379</u>	<u>407,476</u>
Construction in progress . . . . .	74,245	58,831
Net investment in facilities . . . . .	<u>514,624</u>	<u>466,307</u>
Total Assets . . . . .	<u>\$685,031</u>	<u>\$654,978</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses . . . . .	\$ 22,499	\$ 17,813
Accrued pension cost (Note G) . . . . .	5,687	6,109
Accrued interest payable . . . . .	13,964	9,736
Notes payable (Notes E and F) . . . . .	—	23,000
Funded debt (Note F) . . . . .	296,310	273,515
Total Liabilities . . . . .	<u>338,460</u>	<u>330,173</u>
Deferred income . . . . .	2,226	2,071
Contingent liabilities and commitments (Notes H, J and L)		
<b>Fund Equity (Notes B and C)</b>		
Retained earnings . . . . .	300,220	280,075
Contributed capital, grants-in-aid of construction . . . . .	44,125	42,659
Total Fund Equity . . . . .	<u>344,345</u>	<u>322,734</u>
Total Liabilities and Fund Equity . . . . .	<u>\$685,031</u>	<u>\$654,978</u>



**STATEMENTS OF INCOME AND CHANGES IN RETAINED EARNINGS** *for the years ended June 30, 1986 and 1985*

	1986	1985
	<i>(Dollar amounts in thousands)</i>	
<b>Revenues (Note B):</b>		
Tolls, fees and sales of services . . . . .	\$ 61,421	\$ 61,690
Rentals (Note K) . . . . .	30,654	29,202
Concessions (Note K) . . . . .	42,401	41,118
Income on investments (Note A) . . . . .	12,684	13,187
Other . . . . .	2,734	2,045
<b>Total Revenues . . . . .</b>	<b>149,894</b>	<b>147,242</b>
<b>Expenses (Note B):</b>		
Operations and maintenance . . . . .	54,548	52,640
Administration . . . . .	21,780	18,682
Insurance . . . . .	2,560	1,604
Pension cost (Note G) . . . . .	1,716	1,780
Interest (Note A) . . . . .	19,377	17,605
In lieu of taxes (Note I) . . . . .	5,864	5,535
<b>Total Expenses . . . . .</b>	<b>105,845</b>	<b>97,846</b>
<b>Income before depreciation and amortization and extraordinary item . . . . .</b>	<b>44,049</b>	<b>49,396</b>
Depreciation and amortization, including \$2,584,000 in 1986 and \$2,549,000 in 1985 on assets acquired with contributed capital, grants-in-aid of construction. . . . .	25,736	23,539
<b>Income before extraordinary item . . . . .</b>	<b>18,313</b>	<b>25,857</b>
Extraordinary item:		
Loss on extinguishment of debt (Note F) . . . . .	752	—
<b>Net Income . . . . .</b>	<b>17,561</b>	<b>25,857</b>
Add credit arising from transfer of depreciation to contributed capital . . . . .	2,584	2,549
<b>Retained earnings, at beginning of year . . . . .</b>	<b>280,075</b>	<b>251,669</b>
<b>Retained earnings, at end of year . . . . .</b>	<b>\$300,220</b>	<b>\$280,075</b>

The accompanying notes are an integral part of the financial statements.



**STATEMENTS OF CHANGES IN FINANCIAL POSITION** *for the years ended June 30, 1986 and 1985*

	1986	1985
	<i>(Dollar amounts in thousands)</i>	
<b>Funds Provided From:</b>		
Net income before extraordinary item . . . . .	\$ 18,313	\$ 25,857
Adjustments for noncash transactions:		
Depreciation and amortization . . . . .	25,736	23,539
Funds provided from operations before extraordinary item . . . . .	44,049	49,396
Extraordinary Item:		
Loss on extinguishment of debt . . . . .	(752)	—
Funds provided from operations after extraordinary item . . . . .	43,297	49,396
Contributed capital, grants-in-aid of construction . . . . .	4,050	4,587
Increase in deferred income and liabilities other than funded debt and notes payable . . . . .	8,647	1,969
Issuance of funded debt (Note F) . . . . .	75,070	49,000
Issuance of notes payable . . . . .	—	600
Total Funds Provided . . . . .	131,064	105,552
<b>Funds Applied to:</b>		
Cost of facilities . . . . .	74,053	54,729
Retirement of funded debt (Note F) . . . . .	52,275	2,935
Reduction in notes payable (Notes E and F) . . . . .	23,000	—
Increase (decrease) in other assets . . . . .	323	(152)
Total Funds Applied . . . . .	149,651	57,512
Net Increase (Decrease) In Cash And Investments . . . . .	\$ (18,587)	\$ 48,040

The accompanying notes are an integral part of the financial statements.



## NOTES TO FINANCIAL STATEMENTS

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The Massachusetts Port Authority (The Authority) is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equity-holders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### A. Accounting Principles:

Investments in U.S. Government obligations, agencies of the U.S. Government and certificates of accrual on Treasury securities are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost plus accrued interest.

Facilities are carried at cost and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed capital as received and amortized on the straight-line method over the service lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$2,210,000 in 1986 and \$1,078,000 in 1985, reduced by

interest income of \$1,644,000 in 1986 and \$1,404,000 in 1985, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement (*see Note B*).

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund (to the extent that Port Properties revenues exceed Port Properties expenses), the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:**

Presented below are the fiscal 1986 and 1985 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation, amortization and extraordinary item as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

(Dollar Amounts in Thousands)	Fiscal 1986						Fiscal 1985	
	Bridge	Airport Properties	Port Properties* Maritime	Development**	Facilities Management	Investment Income	Combined Total	Combined Total
<b>Revenues:</b>								
1978 pledged revenues	\$6,911	\$ 54,258	\$ —	\$ —	\$ —	\$12,139	\$ 73,308	\$ 69,790
Other	—	53,743	18,064	2,620	880	231	75,538	76,508
	<u>\$6,911</u>	<u>\$108,001</u>	<u>\$18,064</u>	<u>\$2,620</u>	<u>\$880</u>	<u>\$12,370</u>	<u>\$148,846</u>	<u>\$146,298</u>
<b>Operating Expenses:</b>								
Operations and maintenance	\$1,929	\$ 34,496	\$15,653	\$2,139	\$331		\$ 54,548	\$ 52,640
Administration	1,287	14,768	4,288	979	458		21,780	18,682
Insurance	308	1,473	694	259	40		2,774	1,844
Pension (Note G)	164	1,473	358	89	54		2,138	2,080
Loss on sale of property/equip.	—	508	—	—	—		508	197
	<u>\$3,688</u>	<u>\$ 52,718</u>	<u>\$20,993</u>	<u>\$3,466</u>	<u>\$883</u>		<u>\$81,748</u>	<u>\$75,443</u>
<b>Excess of Revenues Over Operating Expenses Under Trust Agreement</b>							<b>\$67,098</b>	<b>\$70,855</b>
Add: Self-Insurance Cost (Expensed Under Trust Agreement; not an expense under GAAP)							214	240
Add: Pension Adjustment (Pension cost is greater under Trust Agreement than under GAAP)							422	300
Add: Difference on gain on sale of equipment (Equipment is depreciated under GAAP but not under Trust Agreement. Equipment sold for \$557,000 had a book value of \$423,000 based on original cost under Trust Agreement; and a book value of \$237,000, after depreciation of \$186,000, under GAAP. This results in a gain of \$134,000 under the Trust Agreement and a gain of \$320,000 under GAAP)							186	322
Add: Adjustment to the original loss from a prior year's sale of property (Resulted from the prepayment during fiscal year 1986 of the remaining installment payments due.)							1,056	0
Add: Interest Income/Construction Funds (Recorded as an addition to the Construction Funds under Trust Agreement; recorded as Revenue under GAAP)							314	819
Less: Payments in lieu of taxes (Not an operating expense under Trust Agreement; Expensed under GAAP)							(5,864)	(5,535)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (Not an operating expense under Trust Agreement; Expensed under GAAP)							(19,377)	(17,605)
<b>Income Before Depreciation, Amortization and Extraordinary Item Under GAAP</b>							<b>\$44,049</b>	<b>\$49,396</b>

\*None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note H).

\*\*Development includes activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.



## NOTES TO FINANCIAL STATEMENTS, *continued*

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, *continued*:

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year. At June 30, 1986, unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$36,830,000.

### C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1986 by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

Use defined for specific purposes*:	Cash	Investments	Total
	(Dollar amounts in thousands)		
1978 Debt Service Fund . . . . .	\$ 586	\$ 32,084	\$ 32,670
Operating Fund, including appropriations for self-insurance . . . . .	111	6,833	6,944
Maintenance Reserve Fund . . . . .	2	41,450	41,452
In Lieu of Taxes Fund . . . . .	1	3,170	3,171
Improvement and Extension Fund . . . . .	830	46,219	47,049
1984 Construction Fund . . . . .	12	10,589	10,601
1985 Interest & Sinking Fund . . . . .	5	10,801	10,806
	<u>\$1,547</u>	<u>\$151,146</u>	<u>\$152,693</u>

\*See also Note B for the amount of unexpended pledged revenues at June 30, 1986.

The Authority's investments include repurchase agreements which are collateralized by obligations of the federal government or agencies of the federal government. The collateral is held in custody by a bank for the benefit of the Authority.

### D. Investments in Facilities and Depreciation:

	1986	1985
	(Dollar amounts in thousands)	
Facilities completed:		
Land and land improvements	\$ 93,645	\$ 82,087
Bridge and bridge improvements	61,857	61,756
Buildings	369,425	332,085
Runways and other paving	152,879	150,388
Machinery and equipment	29,933	24,146
Accumulated depreciation	(267,360)	(242,986)
	<u>440,379</u>	<u>407,476</u>
Construction in progress	74,245	58,831
Net investment in facilities	<u>\$514,624</u>	<u>\$466,307</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities—buildings, runways and other paving	10 and 25 years
Port facilities—buildings and piers	25 years
Machinery and equipment	10 years

### E. Notes Payable:

The Authority had outstanding at June 30, 1985 short-term notes totaling \$23,000,000 which were paid during fiscal 1986 from the proceeds of the Revenue Refunding Bonds, Series 1985-A (see Note F).



## F. Funded Debt:

Funded debt at June 30, 1986 is comprised of:

(Dollar amounts in thousands)

Maturity on July 1	Revenue Refunding Bonds Series 1978		Revenue Refunding Bonds Series 1985 A & B		Total
	Interest Rate	Amount	Interest Rate	Amount	
Serial Bonds:					
1986	6.0%	\$ 3,300	—	—	\$ 3,300
1987	6.0	3,505	5.75%	\$ 690	4,195
1988	6.1	3,720	6.25	735	4,455
1989	6.2	3,955	6.75	780	4,735
1990	6.3	4,000	7.00	830	4,830
1991	6.4	4,265	7.25	885	5,150
1992	6.5	4,545	7.50	955	5,500
1993	6.6	4,840	7.75	1,025	5,865
1994	6.7	5,165	8.00	1,105	6,270
1995	6.8	5,520	8.25	1,190	6,710
1996	6.8	5,905	8.50	1,290	7,195
1997	6.9	6,305	8.70	1,405	7,710
1998	—	—	8.80	1,520	1,520
1999	—	—	8.90	1,655	1,655
2000	—	—	9.00	1,805	1,805
Total Serial Bonds		55,025		15,870	70,895
Term Bonds:					
1998-2012	7.125	166,385	—	—	166,385
2001-2005	—	—	9.25	9,500	9,500
2001-2015	—	—	9.375	49,530	49,530
Total Funded Debt		\$221,410		\$74,900	\$296,310

See Note B for revenues pledged as security for the 1978 Bonds and available for the 1985 Bonds. In July 1985, \$3,105,000 was paid to retire Serial bonds, Series 1978, maturing at that time.

In September 1985, the Authority issued \$75,070,000 of Revenue Refunding Bonds, Series A and B for the purpose of refunding its outstanding \$23,000,000 of Short-Term Improvement Notes and \$49,000,000 Adjustable Rate Revenue Bonds, Series 1984. As a result of this transaction,

the Short-Term Improvement Notes were paid as such notes matured during fiscal 1986 and the Adjustable Rate Revenue Bonds, Series 1984 were paid on January 1, 1986.

An extraordinary loss of \$752,000 resulted from this refunding.



## NOTES TO FINANCIAL STATEMENTS, *continued*

### G. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System" (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment, the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as of July 1, 1973, over a 25-year period commencing in fiscal 1974. Total pension expense so determined was \$1,716,000 in fiscal 1986 and \$1,780,000 in fiscal 1985.

The accumulated plan benefits and plan net assets at January 1, 1985 and 1984 are as follows:

	1985	1984
Actuarial present value of accumulated plan benefits:		
Vested	\$25,666,246	\$24,215,469
Nonvested	205,635	233,792
	<u>\$25,871,881</u>	<u>\$24,449,261</u>
Net assets available for benefits	<u>\$32,730,069</u>	<u>\$27,123,726</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits is 8%.

Plan assets have been accumulated by making contributions equal to current year costs plus amortization of past service costs determined on a going-concern basis, while the determination of the actuarial present value of accumulated plan benefits as presented above is essentially a "plan termination" type calculation which uses methods and assumptions which are not comparable with the methods and assumptions used to determine current year pension costs. In addition, the fair value of net assets available for plan benefits will fluctuate. Because of the differences in computational methods and the fluctuations in the fair value of net assets, the actuarial present value of accumulated plan benefits and the fair value of net assets available for plan benefits are not readily comparable.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was \$226,000 and \$185,000 for the fiscal years ended June 30, 1986 and 1985, respectively.

### H. Contingent Liabilities and Commitments:

#### Payments to The Commonwealth of Massachusetts for Port Facilities:

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1986, the amount contingently payable to the Commonwealth, not reflected in the financial statements, aggregated \$17,915,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$14,994,000 in fiscal 1986, which amount has been added to such prior years' deficiencies of \$80,396,000. The cumulative cash deficit of \$95,390,000 is to be applied against future Port Properties net revenues before payments are required in future years.

#### Contractual Obligations for Construction:

Contractual obligations for construction were approximately \$50,580,000 at June 30, 1986.



## I. In Lieu of Taxes:

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$5,864,000 to these municipalities, of which \$4,821,000 is subject to annual adjustment through 1990 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extended from fiscal 1991 through fiscal 1995, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, payments to the Commonwealth (*see Note H*), deposits to the Interest and Sinking Fund and deposits to the Maintenance Reserve Fund.

## J. Litigation:

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew, ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date, 41 lawsuits have been filed naming or joining the Authority as a direct or third-party defendant. These lawsuits include personal injury actions by passengers and members of the flight crew, an action by Hughes Aircraft Corporation alleging damage to certain flight instruments on board the aircraft at the time of the incident, and third-party complaints and a direct complaint filed by World Airways against both the Authority and the Federal Aviation Administration (FAA). The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways, seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated to pay to passengers for personal injuries. World Airways also moved to amend its direct complaint against the Authority to include a claim under Massachusetts General Laws c. 93A which prohibits unfair or deceptive acts and practices in trade or commerce and provides for treble damages in the event of a knowing or willful violation. The Authority filed its opposition to this motion.

The Authority also filed appropriate responsive pleadings in each of the lawsuits denying all liability and containing appropriate cross claims. In addition to the lawsuits, 17 claims arising out of this incident have been filed with the Authority to date. Any additional claims or lawsuits filed against the Authority alleging negligence may be barred by the three year statute of limitations governing such suits.

A trial on the merits with respect to the liability phase of this litigation was held during the period November 1985 to March 1986. After several days of deliberations by the jury, the Court declared a mistrial with respect to the liability claims against Massport due to the inability of the jurors to reach unanimous agreement. The mistrial as to the claims against Massport, however, did not preclude the judge from deciding the liability portion of the case of World Airways against the United States government. Findings and Conclusions were rendered on April 27, 1986 which allocated percentages of causal negligence as follows: World Airways—50%; Massport—30%; and United States—20%. In addition, the Judge found that Massport was entitled to judgment by the Court (at a future date) on World Airways's c. 93A claim.

In view of the mistrial, however, this decision did not impose any liability on Massport for: (1) the claims of World Airways against Massport for hull damage and/or contribution as to World Airways's payouts in settlement of passenger claims; (2) the claims of the crew against Massport; or (3) the claims of the United States against Massport for contribution arising out of liability for damage to the hull and/or liability to the crew. Such claims will be the subject of a subsequent trial by jury which will be preceded by a damage trial tentatively scheduled for the fall of 1986.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury, and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and analysis of the asserted claims following extensive discovery to date, the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any lia-



## NOTES TO FINANCIAL STATEMENTS, *continued*

### J. Litigation, continued:

bility on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing all actions and proceedings pending against or involving the Authority, consider the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material.

In April 1986, the Authority's Bridge and Port primary general liability insurer filed a petition of insolvency. Under the terms of its policy with the insurer, the Authority was insured to the extent of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate for personal injuries and property damage. The Massachusetts Insurer's Insolvency Guaranty Fund will provide coverage up to the statutory limit of \$300,000 for each claim that would have been covered by the insurer, if not for the insolvency. The Authority has additional insurance with another insurer which covers such portion of each claim as exceeds one million dollars. This results in a gap in coverage for each such claim of up to \$700,000 for which the Authority may be at risk. Based upon the specific damages alleged by plaintiffs (exclusive of interest that may accrue from the date of filing to the date of final disposition) in civil actions currently in suit, the aggregate potential uninsured liability is approximately 3.6 million dollars. This amount does not include the Authority's potential uninsured liability in two actions for which alleged damages have not been quantified by the plaintiffs. In the opinion of legal counsel, the Authority's ultimate liability is indeterminable, but the Authority does not expect that these claims will require amounts to be paid, which in the aggregate, will have a material adverse effect on its financial condition.

### K. Leases:

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income received under these provisions was approximately \$15,602,000 in fiscal 1986 and \$13,874,000 in fiscal 1985.

Minimum future rentals, excluding contingent rentals, receivable from noncancelable operating leases as of June 30, 1986 are as follows:

Year Ending	Amount
June 30	(Dollar amounts in thousands)
1987	\$ 17,362
1988	16,264
1989	15,136
1990	14,812
1991	14,724
Thereafter	186,073
	<u>\$264,371</u>

### L. Related Party:

In June of 1984, the Authority entered into a lease agreement (expiring in June of 1988) with the Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$1,302,000 in fiscal 1986 to the Commonwealth of Massachusetts. The Authority also entered into a contract, which expired on June 30, 1986 and was renewed through June 30, 1987, to provide building management services for the State Transportation Building. Consideration for these services was \$236,000 in fiscal year 1986. The Commonwealth of Massachusetts also reimbursed to the Authority approximately \$600,000 of direct building management expenses incurred by the Authority and approximately \$4,090,000 for building expenses paid by the Authority on behalf of the Commonwealth of Massachusetts.



*Massachusetts Port Authority*

**PROPERTIES AND PERFORMANCE, FY'86**

Gross revenues, Authority-wide \$1,497.0 million  
Net income \$17.0 million

**Logan International Airport**

Total passengers 20.7 million  
Domestic 18.0 million  
International 2.7 million  
Total pounds of cargo and mail 645.5 million  
Compliance with Part 36 federal  
noise standards 91.0 percent

**Hanscom Field, civilian**

Total operations 254,545

**Port of Boston**

General cargo, tons 1.1 million  
Value of cargo \$3.8 billion

**Moran Container Terminal**

Containers handled 14,847

**Conley Terminal**

Containers handled 41,093  
Imported automobiles 47,510

**Harbor Gateway Terminal**

Imported automobiles 51,998  
Cruise vessel visits 19

**Tobin Memorial Bridge**

Total vehicle crossings 50.4 million

**Boston Fish Pier**

Fish processed, pounds 58.5 million  
Fish landed, pounds 23.8 million

**Constitution Plaza**

Multi-purpose facility at Hoosac Pier,  
leased to private development team

**World Trade Center Boston**

International commercial facility at Commonwealth Pier,  
leased to private developers

**Boston Shipyard**

Acquired by Massport in November 1985;  
leased to private developers for marine-related uses



Massport  
Ten Park Plaza  
Boston, MA 02116-5971  
Telephone: (617) 973-5500  
Telex: 9140565

Massport/Far East  
New Diamond Building  
4-1 Kasumigasaka 1-Chome  
Chiyoda-Ku, Tokyo 100  
Japan  
Telephone: (03) 506-5204  
Telex: KLINETD J2 4957

Massport/Europe  
85-87 Jermyn Street  
St. James  
London SW 1, England  
Telephone: (01) 930-7949  
Telex: 917855

Massport/New York  
Woodworth Building  
255 Broadway, Suite 818  
New York, NY 10007  
Telephone: (212) 608-0775



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Massport:

An Authority

on Service.





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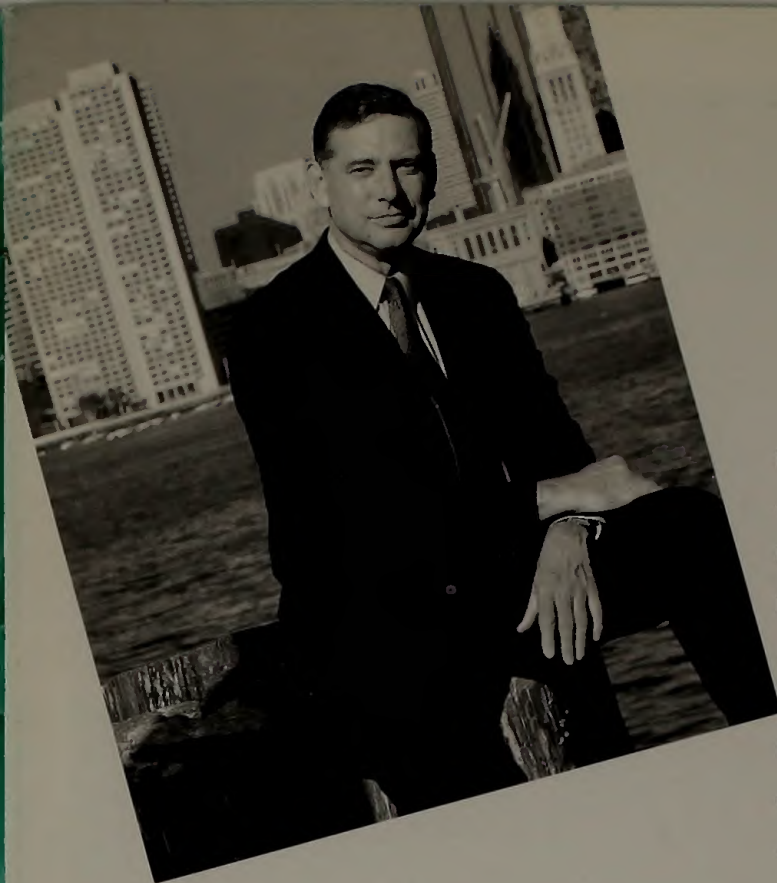
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The annual report of the  
Massachusetts Port Authority  
for the fiscal year ending  
June 30, 1987.





**"A growth economy puts a real strain on service,  
but Massport still delivers."**

Few major cities have experienced the rapid economic growth that Boston has enjoyed over the last few years. At Massport, we've seen that growth reflected in increased demand for transportation services of all kinds and for new kinds of public-spirited programs and modern facilities.

Anyone who travels or ships through Boston has seen the strain that New England's prosperity has placed on our regional transportation system. Given the amount of change and growth all around us, it's a source of pride at Massport that we've been able to keep people and goods moving efficiently - and, at the same time, continue to honor our commitment to protect our residential neighbors from avoidable environmental problems.

GOVERNMENT DOCUMENTS  
COLLECTION

MAY 19 1988

University of Massachusetts  
Depository Copy

Our services to users and neighbors have continued to grow, improve, and keep up with the times. At Logan Airport, air travelers are benefiting from the development of the *Logan Express* buses, the Airport Water Shuttle, and the elegant renovation of Terminal C.

Airport neighbors have been helped by the adoption of advanced noise rules and by our continuing efforts to soundproof schools and homes in areas most affected by Logan operations.

Looking beyond the airport, to the maritime community, to the fishing industry, to commuters on the Tobin Bridge, and to the international trading community, it's easy to find additional examples of Massport's ability to provide quality service at a time of increasing demand and change.

But don't just take our word for it. In the pages that follow, you'll hear from our customers, users, and neighbors. Their views on our policies and programs serve as the best proof that, while a growth economy can strain service, Massport still delivers.

**David W. Davis**  
Executive Director



■ This Annual Report is dedicated to the memory of Thomas P. Cheever, special transportation consultant to Massport's Aviation Department. Tom Cheever played a crucial role in the development of Massport's shuttle buses, including the new *Logan Express*. His untimely death on July 15, 1987 deprived us of an exceptionally able colleague and deprived the Commonwealth of a dedicated public servant. His contribution to Massport's ground transportation programs will continue to benefit air travelers for many years to come. ■



## LOGAN INTERNATIONAL AIRPORT

### Meeting the rising demand for service.

This past year the airline industry changed as never before with an unprecedented number of mergers and consolidations. Northwest acquired Republic, Delta acquired Western, and in a series of moves with profound effect for Logan, Texas Air (owner of Continental Airlines and New York Air) purchased Eastern, People Express, PBA and a portion of Bar Harbor.

The Texas Air-Eastern consolidation placed serious strains on Terminal A, Eastern's home at Logan. During February of 1987, for example, roughly 400,000 passengers walked through Terminal A. One month later, after the consolidation, the terminal hosted approximately 646,000 passengers. In response to these changes, Massport - working with the airlines - made a special effort to improve access to and from the terminals: taxi waiting areas were enlarged, curbside access was sharply improved, and shuttle bus service was actively promoted.

Demands on Logan continue to grow. As the nation's eleventh busiest airport, Logan welcomed nearly 23 million passengers in fiscal year 1987, up 11 percent over the previous period, with jet operations up more than 10 percent. New carriers also chose Logan as their gateway to Massachusetts and New England with new or increased service to the region. The number of international carriers at Logan has now increased to 15.

**LOGAN**  
INTERNATIONAL  
**AIRPORT**





## Terminal C: It's worth the trip.

Massport's commitment to improving service at its facilities is showcased at Logan's recently renovated Terminal C, serving Delta, United, Midway, and TWA. Massport invested \$36 million to enlarge and modernize the terminal, which now features expanded curbside service, improved ticket counters, and modern baggage claim, as well as new restaurants, a well-stocked bookstore and a touch-sensitive video information system which provides tourists with up-to-date travel, cultural and historic information about New England.

Roadways around the terminal have been widened for smoother traffic flow. Inside, there is a playspace for the special needs of child-toting travelers and other amenities.

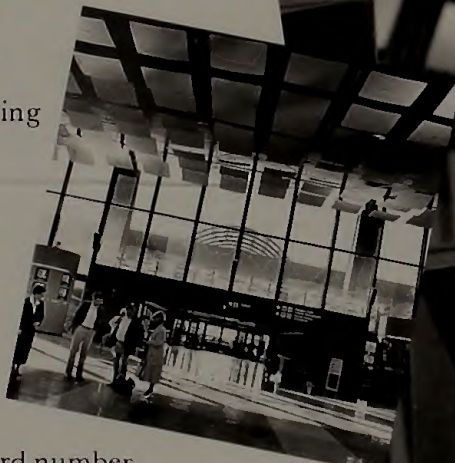
Terminal C looks and feels unlike a typical airport terminal. Mirrored walls and moving sculptures punctuate the spacious, comfortable structure. For local flavor, there is Boston's own Legal Sea Foods fish market and Steve's Ice Cream store.

## Quiet down.

While Logan accommodated a record number of passengers, overall airport-related noise levels were down.

Massport adopted comprehensive noise rules at Logan which stand as a national model for limiting airport noise.

Significant among these rules is increased use of Stage III jets - the quietest, most modern aircraft. Operation of Stage I aircraft - the noisiest equipment - decreased from 71 percent in 1976 to five percent in 1987. At the end of calendar 1987, no Stage I aircraft will be allowed at Logan Airport.



*King W. McElwain*





"I would say that with all the pressures Massport has, noise restrictions, restricted runways, responding to all the carriers, keeping peace in the surrounding communities, and all the other things they have going on, they do a very good job and that's a big task."

King W. McElwaney, III,  
director of Boston stations, Delta Airlines  
and president of Logan Airport Management  
Council, representing all Boston carriers.

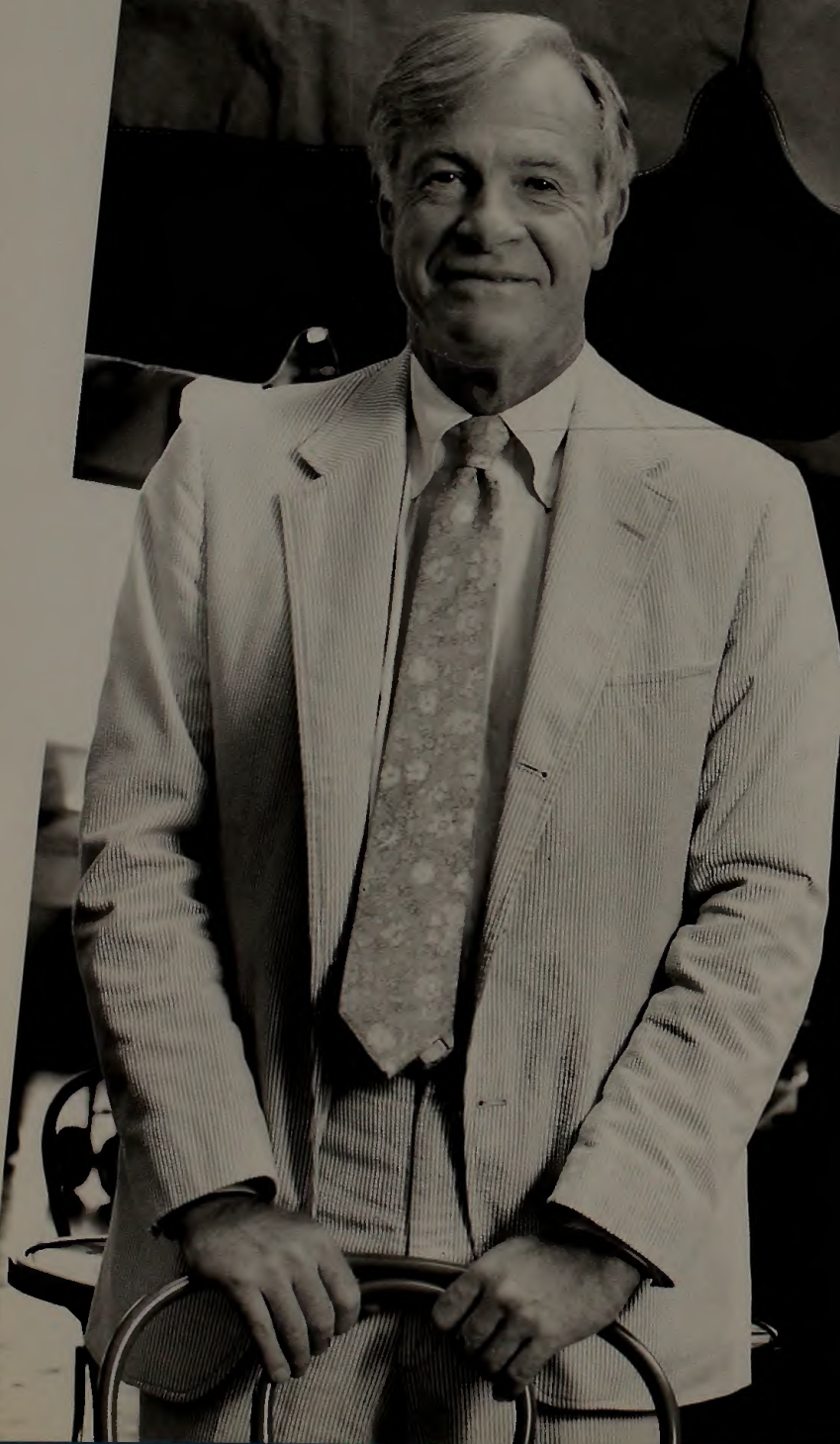


Louis J. Kane

au bon pain

au bon pain.  
THE FRENCH BAKERY CAFÉ

au bon pain  
THE FRENCH BAKERY CAFÉ






Massport has also constructed noise walls and airport buildings to shield some of its nearest neighbors from the impact of airport operations.

### Charting relief.

The single most significant development in the state's effort to ease Boston's traffic problems occurred when Congress approved funding for construction of a depressed Central Artery and a new harbor tunnel to Logan Airport. Virtually every Massport facility will be affected by this \$3.2 billion project.

In preparation, Massport has created a special planning force to assess and ease the effect of construction on communities surrounding our facilities and on Authority operations.

CHART, Massport's Cross Harbor and Regional Transportation project, is conducting a number of studies on anticipated demand for air travel at Logan, future terminal design, changes in airport roadways, and the use of buses and other so-called high occupancy vehicles (HOVs) to reduce highway demand.



"In 1981, Massport gave us the idea and the opportunity to develop our operation at airport terminals. Now we are repeating the experience at other airports across the country. And because we support Massport's price discipline, travelers can buy the same quality food as they would in downtown Boston."

Louis I. Kane,  
chairman and chief executive officer of  
Au Bon Pain.



### Express service.

Massport is moving in other ways to improve access to Logan. *Logan Express*, a new bus service linking Logan to Framingham and Quincy, registered more than 100,000 passengers this past fiscal year.

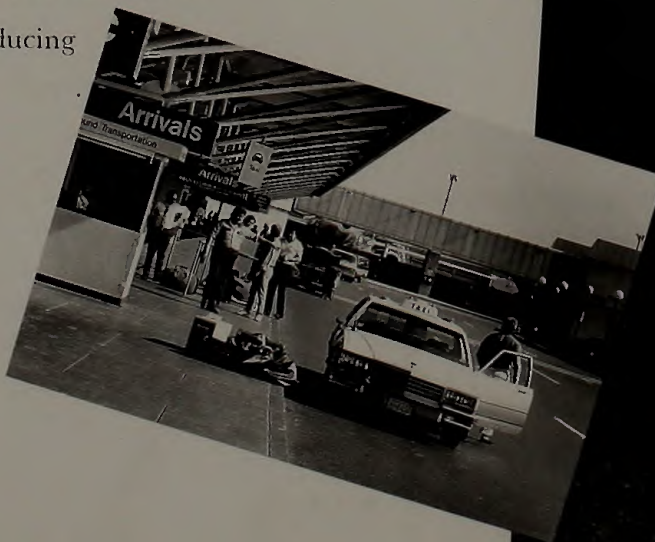
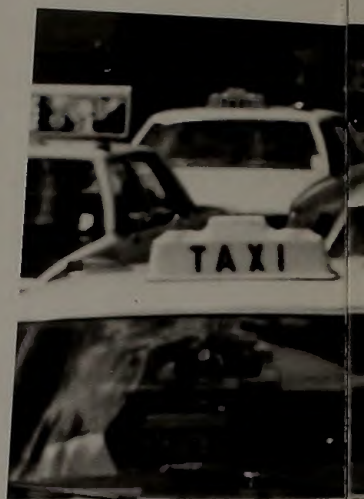
### Recommended alternative.

The Airport Water Shuttle, pioneered by Massport, completed its second season of operation in December 1986, buoyed by an impressive 135 percent increase in passenger service. Through a partnership launched between Massport and The Beacon Management Company, the shuttle acquired two new boats and now offers year-round cross-harbor runs every 15 minutes.

### Holiday help.

During the Thanksgiving holiday travel week Massport stepped up promotion of ground access options with a mass media advertising campaign. The result: Traffic was reduced on the roadways to and from Logan and at airport garages.

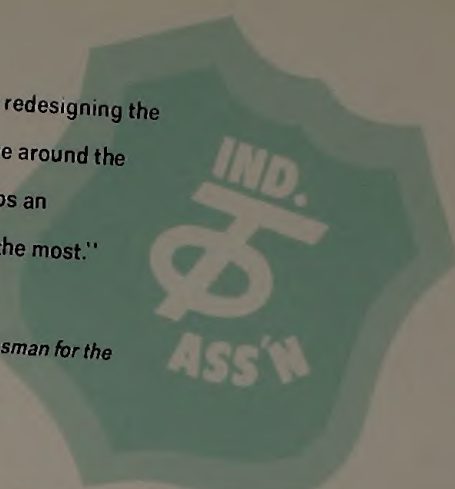
A similar campaign was undertaken during the spring holiday season. Massport used timely radio, newspaper and magazine advertising, as well as incentives and giveaways, to promote the *Logan Express* buses and other alternatives to the private vehicle. With the generous help of Eastern Airlines, which provided bonus miles, the campaign was an effective step in reducing airport roadway congestion.





"Massport made a major improvement by redesigning the taxi pool and changing the way cabs move around the airport. Now we can move 500 to 600 cabs an hour...before we could only move 400 at the most."

Martin Callinan,  
cab driver and spokesman for the  
Boston taxi industry.



*Martin J. Callinan*








"It's so fabulous and convenient that we are strongly recommending that everyone in the department use the water shuttle...we are also limiting the amount of reimbursement on airport parking."

Timothy M. Mabron,  
assistant vice president for  
Merrill Lynch & Company, Boston.

 Merrill Lynch

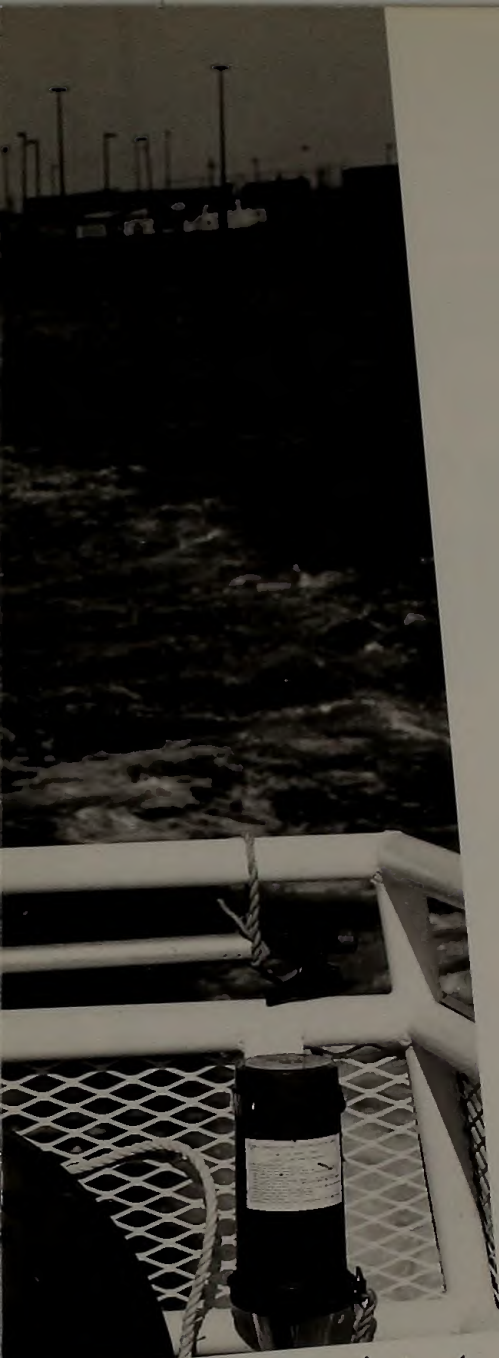
10853  
WATER SHUTTLE SERVICE  
BETWEEN  
LOGAN AIRPORT  
AND ROWES WHARF

One Way

Adult....\$5.00

For further information  
call 23-LOGAN





*Timothy M. McElroy*

In May of 1987, Massport's toll-free telephone hotline, 1-800-23-LOGAN, was upgraded to offer callers 24-hour ground transportation information. On average, more than 2,000 callers a week received advice on getting to and from Logan.

### **HANSCOM FIELD**

#### **Serving America's technology leaders.**

Massport also manages Hanscom Field, the second busiest airport in New England. Hanscom is an ideally located alternative airport for the many technology and service firms in the Route 128 area. With almost 500 private aircraft as its primary users, Hanscom is well-suited to serve the flying needs of the regional business community; and it also accommodates the general aviation needs of research and development firms, flight schools, educational institutions and private pilots.

While total operations declined, Hanscom handled almost 231,000 flights at its Bedford, Massachusetts runways, 20 miles northwest of Boston.

Like Logan, Hanscom is bordered on several sides by residential communities. Fortunately, many users of the airport operate in newer, quieter aircraft. This, coupled with Massport's efforts to reduce nighttime flights, has resulted in a leveling-off of noise to surrounding communities.

Meeting regularly with local officials, users, concerned groups, and appropriate public agencies is an ongoing part of Massport's community relations program. Through this process, Massport is regularly advised by groups such as the Hanscom Field Advisory Commission on noise abatement, land use, and operations issues.






"I used to live on Neptune Road, now better known as runway 15-33. When it became clear that we'd have to move from Neptune Road, both the community and Massport decided that rather than fight we should work together. I won't say we didn't have problems in the process, but we've got most of them worked out."

Gloria Baptista,  
longtime resident of Neptune Road.

NEPTUNE TERR





## Looking for trouble.

The Authority instituted an advertising campaign in Bedford, Lincoln, Lexington, and Concord newspapers urging residents to call Massport to report unusual or particularly noisy air operations related to Hanscom Field.

Massport also conducted noise-monitoring tests last summer to learn the pattern of peak noise levels from particular aircraft and types of operations.

## COMMUNITY RELATIONS

### Peace and less noise.

Massport takes pride in its ability to work effectively with residential neighbors and community leaders.

The successful completion of replacement housing for former residents of Neptune Road involved in-depth discussions between the community and Massport.

Massport sponsored the purchase of 16 new, one- and two-family homes in quieter sections of East Boston. These state-of-the art manufactured homes allowed residents the choice to remain within the Harborview section of East Boston.

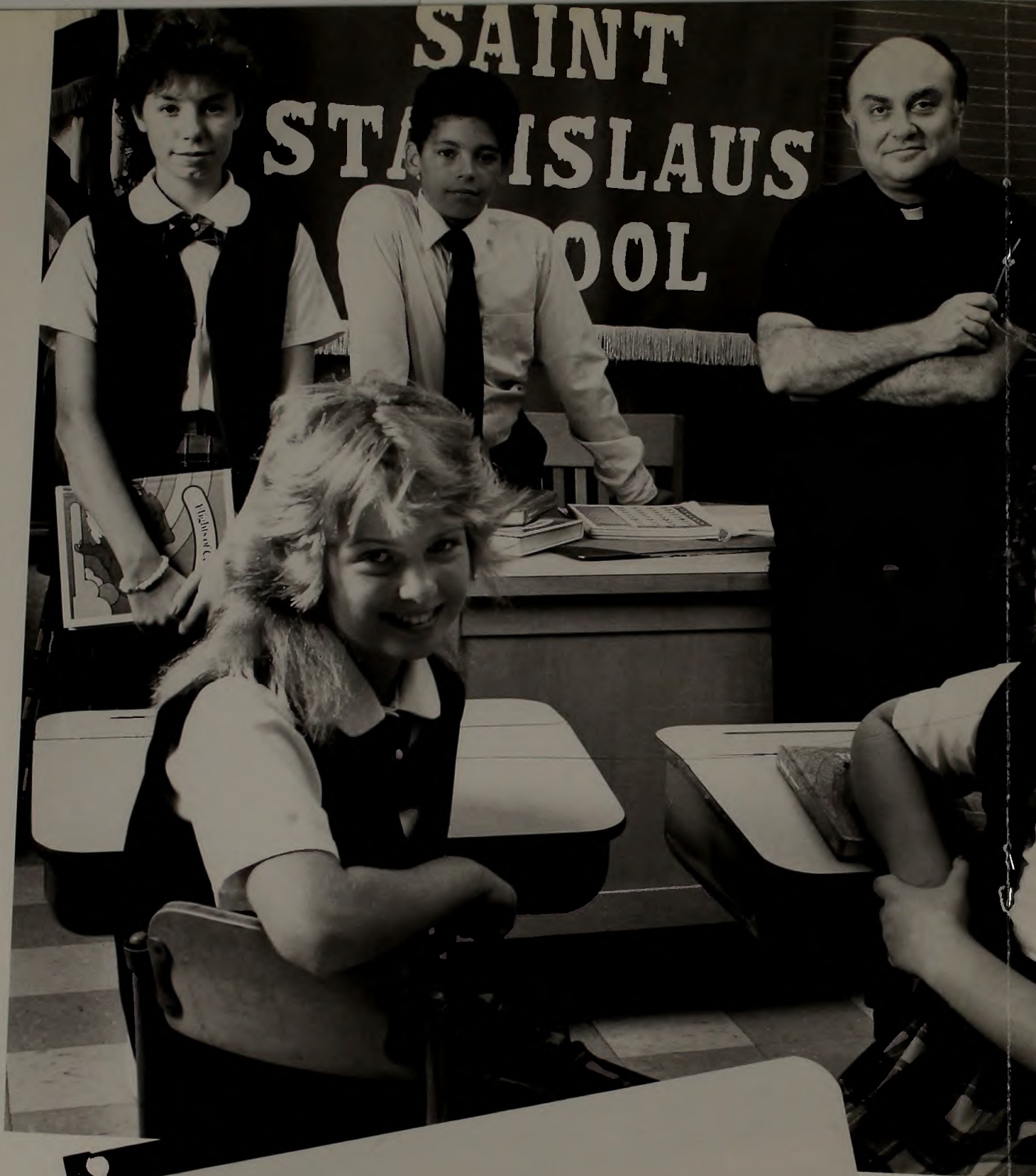
Massport took this dramatic approach to residential noise relief because of the limited supply and high cost of private housing in East Boston and, more importantly, because the Authority is committed to working with its neighbors to make Logan as good a neighbor as an airport can be.

### Quiet in the classroom.

In fiscal year 1987, East Boston, South Boston, and Roxbury students began their fall term with quieter classrooms, the result of Massport's continuing effort to soundproof schools affected by Logan Airport.



# SAINT STANISLAUS SCHOOL



"Learning will be made easier with the excellent soundproofing. The only time you can hear the planes now is when you open the windows. Because of the plexiglass storm windows, vandalism is down...and I'm also happy because the windows help us with heat expenses."

Rev. Benedict S. Fagone,  
pastor of the St. Stanislaus Church  
in Chelsea.





*For Beneshit Fagone*

Massport's school sound insulation program is the result of a first-ever federal grant to demonstrate the benefits of noise reduction in school buildings. The pilot program at East Boston High School in 1982 was so successful that the Federal Aviation Administration established a permanent program of financial assistance to airports across the country.

Since then, 21 public and private schools have been soundproofed and more than \$3.3 million have been spent on school soundproofing in Boston, Chelsea, and Winthrop. Last summer, construction was completed at five more schools which experience interruptions from airline arrivals and departures.

#### **Quiet begins at home.**

As part of the Airport Improvement Program this past fiscal year, Massport was granted the first part of a \$6 million grant to reduce noise in homes in the noisiest areas around the airport. The residential soundproofing program has provided relief to 18 homes and sound insulation work has begun on another 25 homes. When the first phase of the project is completed, more than 150 homes will have been treated.

Massport's creative noise rules have been in effect at Logan since July 1986, when airlines were encouraged to use their quietest planes. In addition, Massport's Legal Department aggressively prosecuted violators of the Authority's noise rules. In all cases, the carriers were fined.

Massport Executive Director David Davis said, "Massport is committed to Logan's Noise Abatement Rules and Regulations, and we're going to make them stick."



Joseph P. Sullivan & Co.

*New England Apples*



"I've seen the Port of Boston come a long way in 28 years. Under the guiding hand of Massport, the Port of Boston is a joint venture between labor, the maritime community and New England industry."

Jack Manning,  
export coordinator, J.P. Sullivan, Inc.,  
apple exporters, Ayer, MA.

*John F. Manning*





### **Serving our neighbors.**

For the ninth consecutive year, Massport made voluntary in lieu of tax payments to municipalities bordering Authority properties. The cities of Boston and Chelsea and the town of Winthrop received almost \$6 million during fiscal 1987. Since 1979, in lieu of tax payments total more than \$44 million.

Massport's Recruitment and Referral Program helps people from Boston, and communities surrounding Massport properties, identify jobs with Massport and its tenants. Students from local high schools benefit from Massport scholarships and job opportunities.

Massport's neighbors are also served through its hiring practices. Of the 902 employees at Massport, close to 220 are drawn from neighborhoods that surround Massport facilities; 253 are women, and 142 are minorities. Of the more than 70 women employed in professional and administrative positions, 35 are minorities in a professional or administrative job.

### **PORT OF BOSTON**

#### **Strength in numbers.**

For the fourth consecutive year, Massport's maritime facilities handled a record amount of container tonnage. General cargo topped 1.1 million tons, a 5.2 percent increase over fiscal year 1986.

New England seaborne shipments continued to lead the nation in value, now estimated at \$4,520 per ton - a sharp rise in the last two years.



While imports of general cargo increased by 3.6 percent, the more impressive figure was outbound tonnage, which was up 10 percent over the previous fiscal year. This favorable trend demonstrates the growing demand for New England goods around the world.

Substantial growth was also reported in automobile handling with almost 111,000 cars pulling in at Boston docks, an 11.5 percent gain from 1986 fiscal figures.

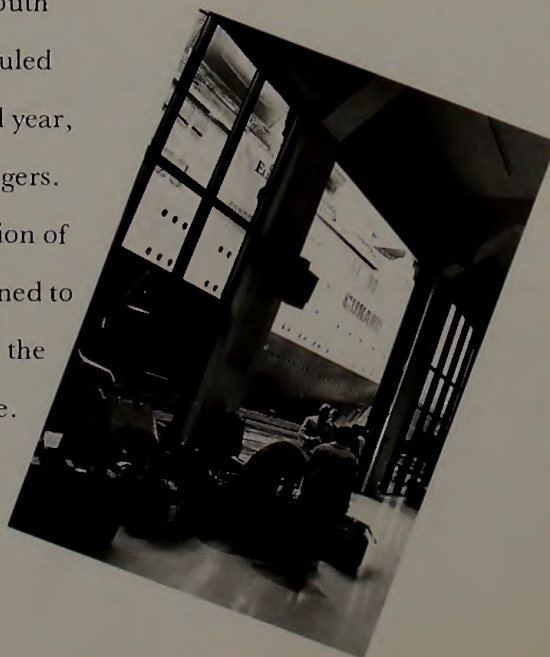
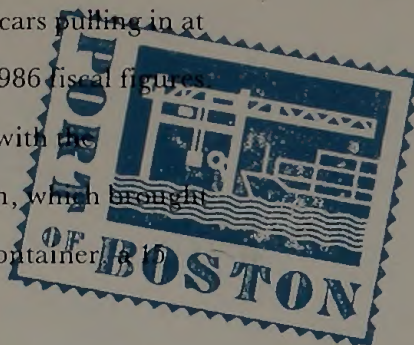
A new contract was ratified with the International Longshoremen's Association, which brought users of the Port savings of up to \$50 per container, a 10 percent reduction in costs.

Massport expanded its steamship operation through a new direct call service from Mediterranean Shipping and a new weekly service between Boston and Halifax operated by U.M. Holdings.

The Authority also purchased the former Revere Sugar terminal in Charlestown for \$6 million. Massport's newest maritime property offers valuable deep-water capacity necessary for major cargo operations. As New England's shipping needs continue to grow, the area surrounding the now defunct sugar refinery could play a major role in serving the region.

The Black Falcon Cruise Terminal in South Boston, which began operation in May of 1986, scheduled 20 ship visits for the 1987 season. During its inaugural year, the modern cruiseship terminal greeted 19,000 passengers.

Work began on an \$11.7 million expansion of Moran Terminal in Charlestown. The project is designed to incorporate the former Schiavone Scrap Terminal and the B & M Yard into much needed container storage space.





## A full-service shipping center.

As part of an on-going effort to modernize the Port of Boston, Massport introduced "Ro/Ro" (Roll on/ Roll off) service to Conley Terminal, allowing direct New England delivery of oversized or wheeled cargo such as fire engines and rail cars. Previously, these cargoes would have been delivered to other ports capable of servicing Ro/Ro vessels, costing the Port of Boston valuable business among New England exporters and importers.

Ro/Ro service is part of a \$6.6 million overhaul of Conley Terminal. By modifying the berthing area at Conley, Massport now offers its shippers a full service dock, saving both time and money. This investment at Conley and other Port facilities is part of a multi-year capital improvement program which has preserved the livelihood of nearly 7,000 port-dependent workers.

A bold decision by Massport's Engineering Department saved the Authority more than \$700,000 when it upgraded 15 acres at Conley Terminal with a new concrete application technique that drew attention from laboratories around the country. The same technology will now be used at Moran Terminal. The Mystic Pier project, which represented the largest pile renovation project in North America, was also completed last year.

Robert J. Freed, manager of import operations for Morse Shoe, Inc., feels strongly about a healthy Port. "It's in everybody's interest that the Port survive...Massport has done a terrific job with the geography it has to work with."



## TOBIN MEMORIAL BRIDGE

### Staying tuned to traffic.

The Tobin Memorial Bridge has one of the most sophisticated bridge maintenance and traffic monitoring programs in the country. To keep tabs on the 31 million vehicle crossings a year, Massport installed a TV monitoring system that allows the bridge staff of 55 men and women to stay tuned to conditions on the 2.4 mile expanse and rush crews to the scene of breakdowns or accidents.

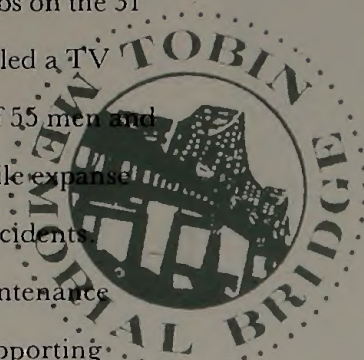
Massport also did significant maintenance work on the bridge last year when sections of supporting structural steel were replaced on crossgirders on both the upper and lower levels.

### Unstopping the bottleneck.

The traffic bottleneck of converging ramps over City Square in Charlestown is undergoing a seven-year, \$230 million overhaul as part of the Central Artery North Area Project managed by the state Department of Public Works. During the construction period, Massport has been developing traffic solutions. When the project is completed, commuters will no longer face the "S"-shaped curve approach to the Tobin Bridge from the Central Artery. Instead, drivers will find a longer, safer approach ramp.

### The good earth.

Although elevated lead levels in the soil in some areas near the bridge are a product of many different factors, Massport moved to safeguard its neighbors. Sections of the bridge over residential neighborhoods have been repainted with non-lead based paint, soil areas under the bridge have been paved, and private residences are having lead soil removed from back yards and replaced with loam and sod.



THANK-YOU  
TOBIN BRIDGE  
LANE #10  
48-95-27  
CLASS 02  
35  
12-08  
1 .50





*Barbara L. Juliano*

"My home is next to the Tobin Bridge and within the last ten years my relationship with Massport has been excellent. Massport is very cooperative. When we have a problem they are willing to work with us. If I have a complaint, I call, and it's taken care of."

Barbara Juliano,  
longtime Chelsea resident.






*Edward P. Ascolillo*

"Massport realized that this type of business, ship repairing, belongs here. I'm a dockmaster and the only way I could have continued my job would have been to relocate. It's hard to just pick up and leave after so many years."

Edward P. Ascolillo,  
dockmaster, Boston Graving Dock  
Corporation. One of 27 persons whose  
job was saved through Massport's  
acquisition of the shipyard.





## PROPERTY MANAGEMENT AND REAL ESTATE DEVELOPMENT

### Launching new developments.

The goal of Massport's Real Estate Development department is to maintain a thriving waterfront with multiple uses. As Massport Executive Director David Davis has observed, a seaport is more than sailboats and condominiums.

### Save Our Shipyard.

An agreement by Massport and J.M. Cashman, Inc., - a marine and engineering development firm - marks an important step in the revitalization of small-scale ship repair, a once-thriving industry within the Boston Harbor. As the company develops the 18.5 acre former Boston Shipyard into a combination marina and ship repair facility, it will be creating jobs for skilled workers.

Jay M. Cashman believes that Boston's ship has indeed come in. "The interest that we've seen to date has demonstrated the viability of the site for small-scale ship repair."

### All DEC'd out.

The \$85 million transformation of Commonwealth Pier has created Boston's first center for international commerce and foreign trade and is an example of a successful partnership between public and private sectors. The World Trade Center in Boston provides 865,000 square feet of office space - almost all of which is leased - a market center, exhibition areas, a conference center, and docking for harbor vessels.

In the fall of 1987, attention focused on the Center when Digital Equipment Corporation held its



world-wide conference at WTC. Nearly 60,000 corporate clients from around the world gathered at the largest convention in Boston's history. The event was estimated to have added nearly \$55 million into the local economy.

Massport played a key, behind-the-scenes planning role at the convention by helping with taxi, limo, and water shuttle service, collaborating on public safety, and assisting with the leasing of additional office space.

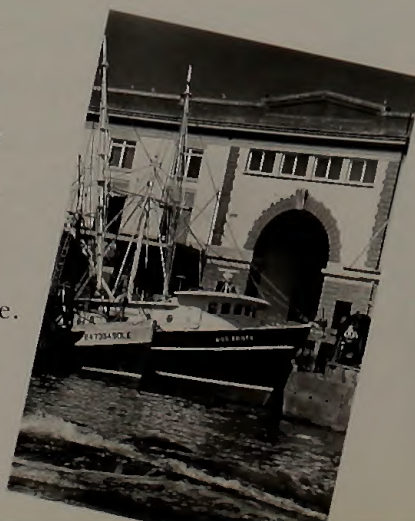
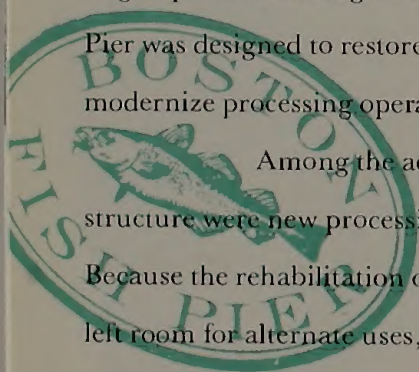
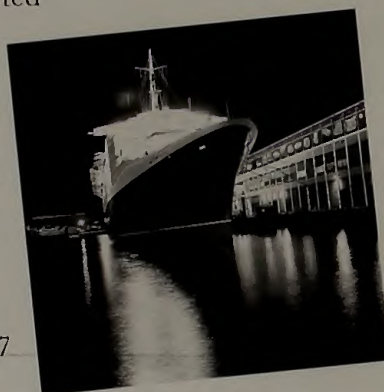
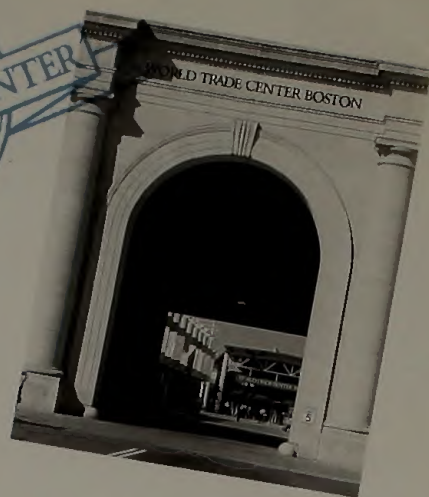
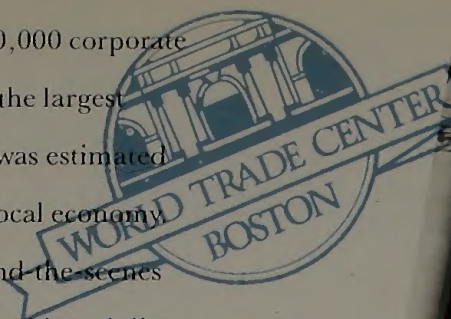
John Drew, president of the World Trade Center, believes that Massport's role in Boston waterfront property development is an important one. "With the development of the World Trade Center, Massport wanted to see how our development concept would benefit the city and the region and how the Center's activities would spur business development... Massport has been very supportive."

#### **A Fresh Fish Pier.**

Massport completed final work on the \$27 million renovation of the Boston Fish Pier, the nation's largest portside fishing redevelopment project. The rebuilt Pier was designed to restore Boston's fishing industry and modernize processing operations.

Among the additions to the 73-year-old structure were new processing, docking and utilities systems. Because the rehabilitation of the Pier's processing facilities left room for alternate uses, Massport created commercial office space to subsidize the fish processing operations.

Already, the revitalized pier is operating at 100 percent capacity and serves as focal point for the development of nearby fishing related businesses. The rejuvenated Fish Pier has been further enhanced by Massport's physical improvements to Northern Avenue.





### **East Boston Piers.**

Massport signed a consulting contract with HMM Associates of Concord, Massachusetts, for a feasibility study of the lobster pier and a six-acre community park slated for the East Boston Piers. The project is a joint venture between the Commonwealth and Massport. In the next stage, the Authority will be looking at land use issues to plan and develop the remainder of the site.

### **New life in the neighborhood.**

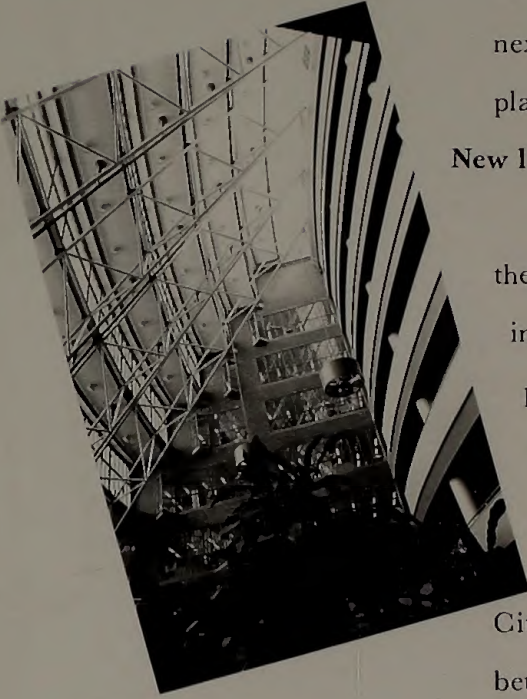
Massport acts as manager of Ten Park Plaza, the state's new Transportation Building. CityPlace, the independently managed ground-level retail area is 80 percent leased and is home to several restaurants, a bank, a dry cleaners, a gift and specialty shop, and a convenience mini-market.

Massport believes that the building and CityPlace in particular, represent an important partnership between the public and private sectors, and has served as an anchor in revitalizing Park Square and the Theatre District.

One of the most interesting features of CityPlace is the Arts at CityPlace Project, an art exhibition, performance space, and art gallery that will feature works by Massachusetts artists. Ron P. Rothman, executive director of the Artists Foundation, said, "There is an inspired kind of thinking that goes beyond transporting people. The time that people spend in public buildings will be a special, more positive experience."

### **Constitution Plaza.**

Formerly known as Hoosac Pier, Constitution Plaza is an example of Massport's strategy of sponsoring





conversions of obsolete, run-down waterfront properties into working, productive resources. Overlooking the U.S.S. Constitution, the low-rise waterfront development includes fully-leased office space, a busy waterfront restaurant, and a new marina and public walkway.

## MARKETING

### The globe's here.

Boston greeted a record number of international visitors as tourism now ranks as the state's second largest industry. To promote its airport and seaport properties as gateways to New England, Massport works with the New England USA Tourist Board and others, participating in international travel exhibitions around the world. Through these trips, Massport establishes contacts with international carriers, tour operators, and major travel agencies worldwide.

### Export experts.

Massport's Foreign Trade unit provides export advice to more than 100 New England businesses each year, helping small and medium sized companies in the region do business overseas. Massport helps increase the flow of cargo through the airport and seaport in many ways. The unit provides marketing counsel, arranges contracts, takes New England representatives to foreign trade shows, and hosts delegations of foreign businesses. These efforts have diversified sales opportunities for numerous New England businesses for many years.

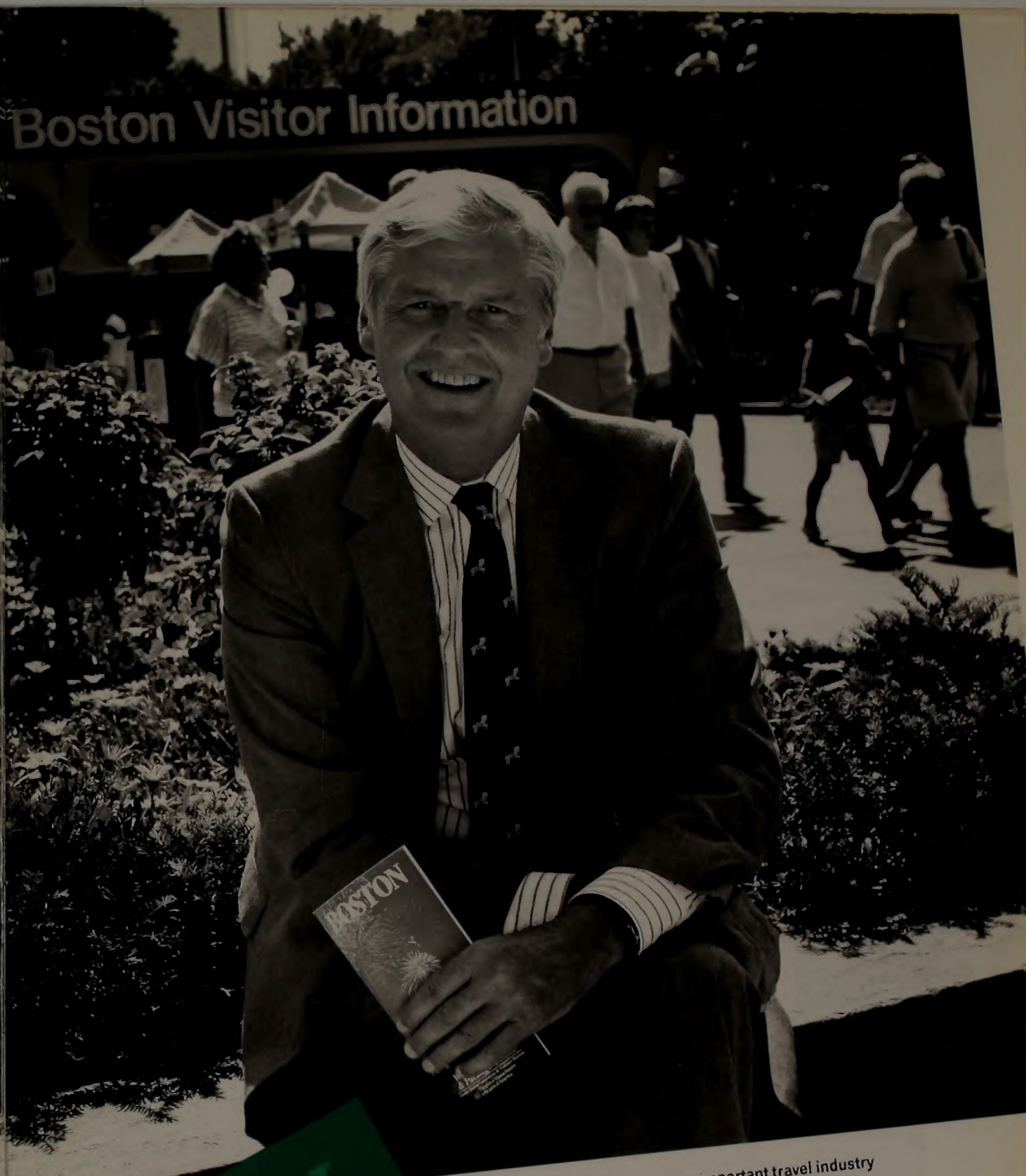
A recent survey conducted by Massport on its Asian trade development initiatives revealed that over the past nine years, more than \$16 million in additional overseas sales were generated through the assistance of Massport's Foreign Trade unit.



*Robert E. Cunningham*



# Boston Visitor Information



"By organizing and attending important travel industry trade shows, coordinating familiarization tours and informational seminars such as those on cruise shipping and Japanese trade relations, Massport has greatly enhanced our efforts to sell Boston."

Robert Cumings,  
president of the Greater Boston  
Convention and Visitors Bureau.



## MASSPORT BOARD MEMBERS



**Richard A. Giesser**, chairman, is a financial and management consultant and serves on several corporate and non-profit boards of directors. Term expires 1989.



**John A. Vitagliano**, vice chairman, is superintendent of tolls collection for the Massachusetts Turnpike Authority. Term expires 1992.



**E. Paul Robsham** is president of Robsham Industries, a real estate development firm in Framingham, Massachusetts. Term expires 1988.



**Miguel A. Satut** is president of Associated Grantmakers of Massachusetts, a Boston-based, non-profit organization. Term expires 1990.



**Paul F. Nace, Jr.**, is a real estate developer and consultant in Boston. Term expires 1991.



**Charles M. Raso** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1993.



**Jacquelyn R. Smith** is financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires 1994.

**Michael S. Dukakis**  
Governor of the  
Commonwealth of  
Massachusetts

**Frederick P. Salvucci**  
Secretary,  
Executive Office of  
Transportation and  
Construction

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.



FINANCIAL  
REPORT



Coopers & Lybrand  
Independent Certified Public Accountants

Massachusetts Port Authority  
Boston, Massachusetts

We have examined the balance sheets of the Massachusetts Port Authority as of June 30, 1987 and 1986, and the related statements of income and changes in retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Massachusetts Port Authority at June 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

*Boston, Massachusetts  
September 8, 1987*



## BALANCE SHEETS

June 30, 1987 and 1986

	1987	1986
	(in thousands)	
<b>Assets</b>		
Cash (Note C) .....	\$ 1,341	\$ 1,547
Investments (Notes A and C) .....	144,467	151,146
Accounts receivable, less allowance for doubtful accounts of \$719,000 in 1987 and \$1,141,000 in 1986 .....	13,481	11,658
Prepayments and other assets (Notes A and G) .....	19,529	7,279
	<u>178,818</u>	<u>171,630</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports .....	538,926	479,343
Bridge .....	63,507	63,062
Port (Note H) .....	195,590	165,334
	798,023	707,739
Less accumulated depreciation and amortization .....	(296,551)	(267,360)
	501,472	440,379
Construction in progress .....	42,453	74,245
Net investment in facilities .....	543,925	514,624
Total Assets .....	<u>\$722,743</u>	<u>\$686,254</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Note G) .....	\$ 23,473	\$ 23,722
Accrued pension cost (Note F) .....	5,350	5,687
Accrued interest payable .....	11,016	13,964
Funded debt (Note E) .....	293,010	296,310
Total Liabilities .....	332,849	339,683
Deferred income .....	1,969	2,226
Contingent liabilities and commitments (Notes H, J and K)		
<b>Fund Equity (Notes A, B and C)</b>		
Retained earnings .....	331,249	300,220
Contributed capital, grants-in-aid of construction .....	56,676	44,125
Total Fund Equity .....	387,925	344,345
Total Liabilities and Fund Equity .....	<u>\$722,743</u>	<u>\$686,254</u>

The accompanying notes are an integral part of the financial statements.



## STATEMENTS OF INCOME AND CHANGES IN RETAINED EARNINGS

for the years ended June 30, 1987 and 1986

	1987	1986
	(in thousands)	
<b>Revenues (Note B):</b>		
Tolls, fees and sales of services .....	\$102,603	\$ 86,734
Rentals (Note K) .....	37,326	30,654
Concessions (Note K) .....	20,087	17,088
Income on investments (Note A) .....	10,058	12,684
Other .....	3,111	2,734
<b>Total Revenues</b> .....	<b>173,185</b>	<b>149,894</b>
<b>Expenses (Note B):</b>		
Operations and maintenance .....	61,179	54,548
Administration .....	22,742	21,780
Insurance .....	4,563	2,560
Pension cost (Note F) .....	1,914	1,716
Interest (Note A) .....	19,418	19,377
In lieu of taxes (Note I) .....	5,973	5,864
<b>Total Expenses</b> .....	<b>115,789</b>	<b>105,845</b>
<b>Income before depreciation and amortization and extraordinary item</b> .....	<b>57,396</b>	<b>44,049</b>
Depreciation and amortization, including \$2,824,000 in 1987 and \$2,584,000 in 1986 on assets acquired with contributed capital, grants-in-aid of construction .....	29,191	25,736
<b>Income before extraordinary item</b> .....	<b>28,205</b>	<b>18,313</b>
Extraordinary item:		
Loss on extinguishment of debt (Note E) .....	—	752
<b>Net Income</b> .....	<b>28,205</b>	<b>17,561</b>
Add credit arising from transfer of depreciation to contributed capital .....	2,824	2,584
<b>Retained earnings, at beginning of year</b> .....	<b>300,220</b>	<b>280,075</b>
<b>Retained earnings, at end of year</b> .....	<b>\$331,249</b>	<b>\$300,220</b>

The accompanying notes are an integral part of the financial statements.



## STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended June 30, 1987 and 1986

	1987	1986
	(in thousands)	
<b>Funds Provided From:</b>		
Net income before extraordinary item	\$ 28,205	\$ 18,313
Adjustments for noncash transactions:		
Depreciation and amortization	29,191	25,736
Funds provided from operations before extraordinary item	57,396	44,049
Extraordinary Item:		
Loss on extinguishment of debt	—	(752)
Funds provided from operations after extraordinary item	57,396	43,297
Contributed capital, grants-in-aid of construction	15,375	4,050
Increase (decrease) in deferred income and liabilities other than funded debt and notes payable	(3,791)	9,870
Issuance of funded debt (Note E)	—	75,070
Total Funds Provided	68,980	132,287
<b>Funds Applied to:</b>		
Cost of facilities	58,492	74,053
Retirement of funded debt (Note E)	3,300	52,275
Reduction in notes payable (Note E)	—	23,000
Increase in other assets	14,073	1,546
Total Funds Applied	75,865	150,874
Net Decrease In Cash And Investments	\$ (6,885)	\$(18,587)

The accompanying notes are an integral part of the financial statements.



## NOTES TO FINANCIAL STATEMENTS

The Massachusetts Port Authority (The Authority) is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### A. Accounting Principles:

Investments in U.S. Government obligations, agencies of the U.S. Government and Certificates of Accrual on Treasury Securities are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost plus accrued interest.

Facilities are carried at cost, and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Starting in 1987, federal grants-in-aid of construction are recorded as contributed capital as earned and amortized on the straight-line method over the service lives of the related assets whereas in prior years such grants were recorded as the contributed capital was received and amortized over the service lives of the related assets. This change had the effect of increasing contributed capital, grants-in-aid of construction as recorded in the June 30, 1987 Balance Sheet by approximately \$9,790,000 but had an insignificant impact on reported net income for 1987. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$2,033,000 in 1987 and \$2,210,000 in 1986, reduced by interest income of \$305,000 in 1987 and \$1,644,000 in 1986, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement (See Note B.) Certain Financial Statement amounts in 1986 have been reclassified to conform with the 1987 financial statement presentation.

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund (to the extent that Port Properties revenues exceed Port Properties expenses), the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:**

Presented below are the 1987 and 1986 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation, amortization and extraordinary item as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

(Dollar Amounts In Thousands)		1987						1986
	Bridge	Airport Properties	Port Properties*		Facilities Management	Investment Income	Combined Total	Combined Total
<b>Revenues:</b>								
1978 Pledged								
Revenues	\$ 7,226	\$ 68,328	\$	\$	\$	\$ 9,685	\$ 85,239	\$ 73,308
Other		62,791	20,284	3,499	999	373	87,946	75,538
	<u>\$ 7,226</u>	<u>\$131,119</u>	<u>\$ 20,284</u>	<u>\$ 3,499</u>	<u>\$ 999</u>	<u>\$ 10,058</u>	<u>\$173,185</u>	<u>\$ 148,846</u>
<b>Operating Expenses:</b>								
Operations and								
Maintenance	\$ 2,264	\$ 39,580	\$ 16,336	\$ 2,673	\$ 326		\$ 61,179	\$ 54,548
Administration	1,223	15,504	4,341	1,151	523		22,742	21,780
Insurance	632	5,214	1,267	575	115		7,803	2,774
Pension (Note F)	170	1,556	364	108	53		2,251	2,138
Loss on Sale of property/equip.	—	—	—	—	—		—	508
	<u>\$ 4,289</u>	<u>\$ 61,854</u>	<u>\$ 22,308</u>	<u>\$ 4,507</u>	<u>\$1,017</u>		<u>\$ 93,975</u>	<u>\$ 81,748</u>
<b>Excess of Revenues Over Operating Expenses Under Trust Agreement</b>							<b>\$ 79,210</b>	<b>\$ 67,098</b>
Add: Self Insurance Cost (Expensed Under Trust Agreement; Not an expense under GAAP.)							3,240	214
Add: Pension Adjustment (Pension cost is greater under Trust Agreement than under GAAP.)							337	422
Add: Difference on gain on sale of equipment (Equipment is depreciated under GAAP but not under Trust Agreement.)							—	186
Add: Adjustment to the original gain/loss from the 1979 sale of property resulting from the prepayment during fiscal year 1986 of the remaining installments payments due.							—	1,056
Add: Interest income on the 1982 Construction Fund and 1985 Bond Fund (Recorded as an addition to the Construction Fund and Bond Fund under Trust Agreement; recorded as revenue under GAAP.)							—	314
Less: Payments in lieu of taxes (Not an operating expense under Trust Agreement; Expensed under GAAP.)							(5,973)	(5,864)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (Not an operating expense under Trust Agreement; Expensed under GAAP.)							(19,418)	(19,377)
<b>Income Before Depreciation, Amortization and Extraordinary Item Under GAAP</b>							<b>\$ 57,396</b>	<b>\$ 44,049</b>

\*None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvement to Port Properties. Under the Enabling Act, the net revenue from Port Properties, if any, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note H).

\*\*Development includes activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year. At June 30, 1987 unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$37,768,000.



**NOTES TO FINANCIAL STATEMENTS,***Continued***C. Cash and Investments:**

The following summarizes the Authority's cash and investments at June 30, 1987, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

Use defined for specific purposes*:	Cash	Investments	Total
	(in thousands)		
1978 Debt Service Fund	\$ 417	\$ 31,857	\$ 32,274
Operating Fund, including appropriations for self-insurance	220	12,472	12,692
Maintenance Reserve Fund	1	36,155	36,156
In Lieu of Taxes Fund	33	3,233	3,266
Improvement and Extension Fund	648	48,029	48,677
1984 Construction Fund	8	1,240	1,248
1985 Interest & Sinking Fund	14	11,481	11,495
	<u>\$1,341</u>	<u>\$144,467</u>	<u>\$145,808</u>

\*See also Note B for the amount of unexpended pledged revenues at June 30, 1987.

The following summarizes the Authority's investments by type of investment held at June 30, 1987.

	Carrying Amount	Market Value
	(in thousands)	
Certificate of Deposit	\$ 100	\$ 100
Repurchase Agreements	23,869	23,869
U.S. Government Securities and Agencies:		
Treasury Bills	4,949	4,949
Treasury Notes	69,014	69,023
Certificate of Accrual on Treasury Securities	8,206	8,290
Treasury Bonds	998	998
Federal National Mortgage Association (FNMA) Notes	11,512	11,830
Federal Home Loan Bank (FHLB) Notes	25,819	25,723
Total U.S. Government Securities and Agencies	<u>120,498</u>	<u>120,813</u>
Total Investments	<u>\$144,467</u>	<u>\$144,782</u>

The Authority is authorized by the 1978 Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies, and instrumentalities, in Bonds or Notes of public agencies or municipalities, in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's Trustee and Custodian.

U.S. Government securities other than FNMA and FHLB securities are guaranteed by the U.S. Government. The Certificate of Deposit is fully guaranteed by the Federal Depository Insurance Corporation. Repurchase agreements are collateralized by obligations of the Federal government or agencies of the Federal government. It is required that securities underlying repurchase agreements must have a market value at least equal to the cost of the agreement plus accrued interest.

**D. Investments in Facilities and Depreciation:**

	1987	1986
	(in thousands)	
<b>Facilities completed:</b>		
Land and land improvements	\$ 99,710	\$ 93,645
Bridge and bridge improvements	62,146	61,857
Buildings	433,385	369,425
Runways and other paving	170,767	152,879
Machinery and equipment	32,015	29,933
Accumulated depreciation	<u>(296,551)</u>	<u>(267,360)</u>
	501,472	440,379
<b>Construction in progress</b>	<u>42,453</u>	<u>74,245</u>
<b>Net investment in facilities</b>	<u>\$543,925</u>	<u>\$514,624</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities - buildings, runways and other paving	10 and 25 years
Port facilities - buildings and piers	25 years
Machinery and equipment	10 years



# E. Funded Debt:

Funded debt at June 30, 1987, is comprised of:

(Dollar amounts in thousands)

Maturity on July 1	Revenue Refunding Bonds Series 1978		Revenue Refunding Bonds Series 1985 A & B		Total
	Interest Rate	Amount	Interest Rate	Amount	
Serial Bonds:					
1987	6.0%	\$ 3,505	5.75%	\$ 690	\$ 4,195
1988	6.1	3,720	6.25	735	4,455
1989	6.2	3,955	6.75	780	4,735
1990	6.3	4,000	7.00	830	4,830
1991	6.4	4,265	7.25	885	5,150
1992	6.5	4,545	7.50	955	5,500
1993	6.6	4,840	7.75	1,025	5,865
1994	6.7	5,165	8.00	1,105	6,270
1995	6.8	5,520	8.25	1,190	6,710
1996	6.8	5,905	8.50	1,290	7,195
1997	6.9	6,305	8.70	1,405	7,710
1998	—	—	8.80	1,520	1,520
1999	—	—	8.90	1,655	1,655
2000	—	—	9.00	1,805	1,805
Total Serial Bonds		51,725		15,870	67,595
Term Bonds:					
1998-2012	7.125	166,385	—	—	166,385
2001-2005	—	—	9.25	9,500	9,500
2001-2015	—	—	9.375	49,530	49,530
Total Funded Debt		<u>\$218,110</u>		<u>\$74,900</u>	<u>\$293,010</u>

See Note B for revenues pledged as security for the 1978 Bonds and available for the 1985 Bonds.

In September, 1985, the Authority issued \$75,070,000 of Revenue Refunding Bonds, Series A and B for the purpose of refunding its outstanding \$23,000,000 of Short-Term Improvement Notes and \$49,000,000 Adjustable Rate Revenue Bonds, Series 1984. As a result of this transaction,

the Short-Term Improvement Notes were paid as such notes matured during 1986 and the Adjustable Rate Revenue Bonds, Series 1984 were paid on January 1, 1986. An extraordinary loss of \$752,000 resulted from this refunding.



## NOTES TO FINANCIAL STATEMENTS,

*Continued*

### F. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs that were determined as of July 1, 1973, over a 25-year period commencing in 1974. Total pension expense so determined was \$1,914,000 in 1987 and \$1,716,000 in 1986.

The accumulated plan benefits and plan net assets at January 1, 1986 and 1985, are as follows:

	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$31,216,487	\$25,666,246
Nonvested	254,681	205,635
	<u>\$31,471,168</u>	<u>\$25,871,881</u>
Net assets available for benefits	<u>\$40,250,215</u>	<u>\$32,730,069</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits is 8%.

Plan assets have been accumulated by making contributions equal to current year costs plus amortization of past service costs determined on a going concern basis, while the determination of the actuarial present value of accumulated plan benefits as presented above is essentially a "plan termination" type calculation which uses methods and assumptions which are not comparable with the methods and assumptions used to determine current year pension costs. In addition, the fair value of net assets available for plan benefits will fluctuate. Because of the differences in computational methods and the fluctuations in the fair value of net assets, the actuarial present value of accumulated plan benefits and the fair value of net assets available for plan benefits are not readily comparable.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was \$265,000 and \$226,000 for the years ended June 30, 1987 and 1986, respectively.

### G. Deferred Compensation:

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority's (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were each \$2,042,000 at June 30, 1987 and \$1,223,000 at June 30, 1986. These amounts are included in the accompanying balance sheet under the captions Prepayments and other assets and Accounts payable and accrued expenses.



## H. Contingent Liabilities and Commitments:

### Payments to The Commonwealth of Massachusetts for Port Facilities:

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1987, the amount contingently payable to the Commonwealth, not reflected in the financial statements, aggregated \$17,928,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$13,727,000 in 1987, which amount has been added to such prior years' deficiencies of \$95,390,000. The cumulative cash deficit of \$109,117,000 is to be applied against future Port Properties net revenues before payments are required in future years.

### Contractual Obligations for Construction:

Contractual obligations for construction were approximately \$34,428,000 at June 30, 1987.

## I. In Lieu of Taxes:

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$5,973,000 to these municipalities, of which \$4,930,000 is subject to annual adjustment through 1990 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from 1991 through 1996, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, payments to the Commonwealth (see Note H), deposits to the Interest and Sinking Fund and deposits to the Maintenance Reserve Fund.

## J. Litigation:

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 41 lawsuits have been filed naming or joining the Authority as a direct or third-party defendant. These lawsuits include personal injury actions by passengers and members of the flight crew, an action by Hughes Aircraft Corporation alleging damage to certain flight instruments on board the aircraft at the time of the incident, and third-party complaints and a direct complaint filed by World against both the Authority and the Federal Aviation Administration (FAA). The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated to pay to passengers for personal injuries. World also moved to amend its direct complaint against the Authority to include a claim under Massachusetts General Laws c. 93A which prohibits unfair or deceptive acts and practices in trade or commerce and provides for treble damages in the event of a knowing or willful violation.

The Authority filed its opposition to this motion. The Authority also filed appropriate responsive pleadings in each of the lawsuits denying all liability and containing appropriate cross claims. In addition to the lawsuits, 17 claims arising out of this incident have been filed with the Authority to date. Any additional claims or lawsuits filed against the Authority alleging negligence may be barred by the three year statute of limitations governing such suits. A trial on the merits with respect to the liability phase of this litigation was held during the period November, 1985 to March, 1986. After several days of deliberations by the jury, the Court declared a mistrial with respect to the liability claims against the Authority due to the inability of the jurors to reach unanimous agreement. The mistrial as to the claims against the Authority, however, did not preclude the judge from deciding the liability portion of the case of World Airways against the United States government. Findings and Conclusions were rendered on April 27, 1986 which allocated percentages of causal negligence as follows: World - 50%; the Authority - 30%; and United States - 20%. In addition, the Judge found that the Authority was entitled to judgement by the Court (at a future date) on World's c. 93A claim.

In view of the mistrial, however, this decision did not impose any liability on the Authority for: (1) the claims of World against the Authority for hull damage and/or contribution as to World's payouts in settlement of passenger claims; (2) the claims of the crew against the Authority; or (3) the claims of the United States against the Authority for contribution arising out of liability for



**NOTES TO FINANCIAL STATEMENTS,***Continued***J. Litigation, continued:**

damage to the hull and/or liability to the crew. Such claims will be the subject of a subsequent trial by jury which will be preceded by a damage trial scheduled for January 25, 1988.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and analysis of the asserted claims following extensive discovery to date, the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.

In April 1986, the Authority's Bridge and Port primary general liability insurer filed a petition of insolvency. Under the terms of its policy with the insurer, the Authority was insured to the extent of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate for personal injuries and property damage. The Massachusetts Insurer's Insolvency Guaranty Fund will provide coverage up to the statutory limit of \$300,000 for each claim that would have been covered by the insurer, if not for the insolvency. The Authority has additional insurance with another insurer which covers such portion of each claim as exceeds one million dollars. This results in a gap in coverage for each such claim of up to \$700,000 for which the Authority may be at risk. Based upon the specific damages alleged by plaintiffs (exclusive of interest that may accrue from the date of filing to the date of final disposition) in civil actions currently in suit, the aggregate potential uninsured liability is approximately \$3,800,000. This amount does not include the Authority's potential uninsured liability in two actions for which alleged damages have not been quantified by the plaintiffs. In the opinion of legal counsel, the Authority's ultimate liability is indeterminable, but the Authority does not expect that these claims will require

amounts to be paid, which in the aggregate, will have a material adverse effect on its financial condition.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing all actions and proceedings pending against or involving the Authority, consider the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material.

**K. Leases:**

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately \$18,690,000 in 1987 and \$15,602,000 in 1986.

Minimum future rentals, excluding contingent rentals, from noncancellable operating leases as of June 30, 1987 are as follows:

Year Ending June 30	Amount (in thousands)
1988	\$ 17,085
1989	16,173
1990	15,872
1991	15,244
1992	13,848
Thereafter	191,988
	<u>\$270,210</u>

**L. Related Party:**

In June of 1984, the Authority entered into a lease agreement (expiring in June of 1988) with The Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$1,302,000 in 1987 to the Commonwealth of Massachusetts. The Authority also entered into a contract which expired on June 30, 1987 and was renewed through June 30, 1988, to provide building management services for the State Transportation Building. Consideration for these services was \$249,000 in 1987. The Commonwealth of Massachusetts also reimbursed to the Authority approximately \$750,000 of direct building management expenses incurred by the Authority and approximately \$4,004,000 for building expenses paid by the Authority on behalf of The Commonwealth of Massachusetts.



## PROPERTIES AND PERFORMANCE, FY87

Gross revenues, Authority-wide .....\$173.2 million  
Net income .....\$28.2 million

### Logan International Airport

Total passengers.....22.9 million  
    Domestic.....20.6 million  
    International.....2.3 million  
Total pounds of cargo and mail.....676.4 million

### Hanscom Field, civilian

Total operations.....230,711

### Port of Boston

General cargo, tons.....1.1 million  
Value of cargo.....\$4.0 billion

### Moran Container Terminal

Containers handled.....48,454

### Conley Terminal

Containers handled.....36,261  
Imported automobiles.....52,925

### Harbor Gateway Terminal

Imported automobiles.....57,975  
Cruise vessel visits.....20

### Tobin Memorial Bridge

Total vehicle crossings.....31.4 million

### Boston Fish Pier

Fish processed, pounds.....60.0 million  
Fish landed, pounds.....24.0 million

### Constitution Plaza

Multi-purpose facility at Hoosac Pier, leased to private development team

### World Trade Center Boston

International commercial facility at Commonwealth Pier, leased to private developers

### Boston Shipyard

Acquired by Massport in November 1985, leased to private developers for marine-related uses

### Revere Sugar

Acquired by Massport in December 1986

The Massachusetts Port Authority (Massport), is an independent revenue bonding authority chartered by the Massachusetts State Legislature and supported by revenues from the facilities it owns and operates: Logan International Airport in East Boston, L.G. Hanscom Field in Bedford, Tobin Memorial Bridge, the public marine terminals at the Port of Boston, the Boston Fish Pier, The World Trade Center Boston at Commonwealth Pier, and other Boston waterfront development properties.



**Massport**

Ten Park Plaza  
Boston, MA 02116-3971  
Telephone: (617) 973-5500  
Telex: 94-0365

**Massport/Far East**

New Diamond Building  
4-4 Kasumigaseki 1-Chome  
Chiyoda-Ku, Tokyo 100  
Japan  
Telephone: (03) 506-5204  
Telex: KLINE1TD J24957

**Massport/Europe**

85-87 Jermyn Street  
St. James  
London SW 1, England  
Telephone: (01) 930-7949  
Telex: 917835

**Massport/New York**

Woolworth Building  
233 Broadway, Suite 818  
New York, NY 10007  
Telephone: (212) 608-0775



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Getting

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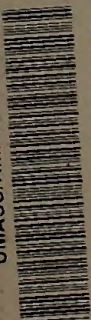
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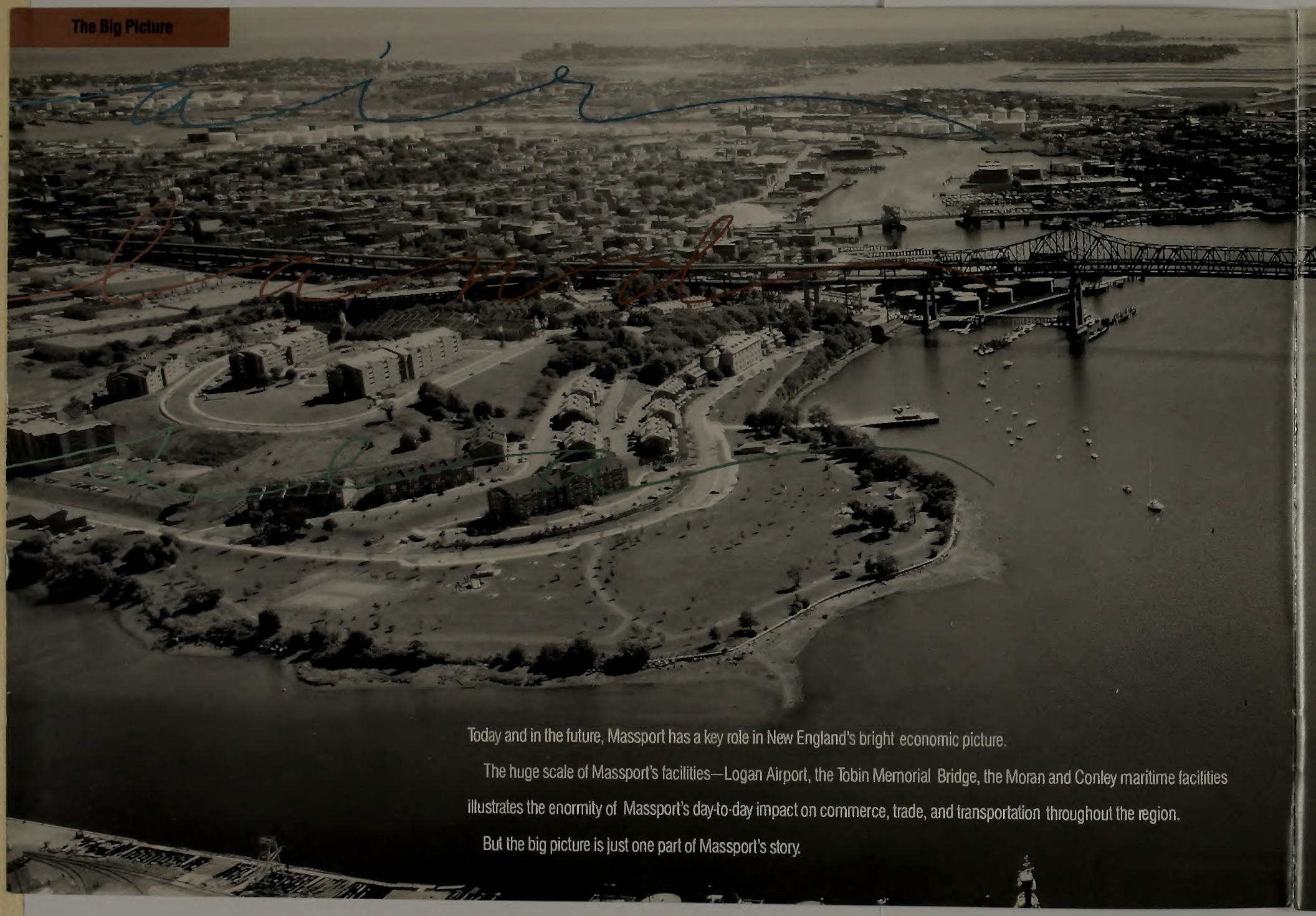


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Today and in the future, Massport has a key role in New England's bright economic picture.

The huge scale of Massport's facilities—Logan Airport, the Tobin Memorial Bridge, the Moran and Conley maritime facilities illustrates the enormity of Massport's day-to-day impact on commerce, trade, and transportation throughout the region.

But the big picture is just one part of Massport's story.



Behind the Scenes





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Properties and Performance Inside back cover





**"Massport's ambitious agenda will stretch our resources and our imaginations to the limit."**

The 1980s have brought an explosion of economic activity to New England, especially to Boston.

The welcome growth of our economy has brought new jobs and income to the region we serve—and it is placing a noticeable strain on our transportation system. Keeping planes flying, cargo moving, traffic flowing, and customers satisfied—while simultaneously protecting our residential neighbors and the environment—are tasks that are becoming much more complex and challenging with each passing day.

With new approaches Massport is meeting those challenges.

At the airport, the seaport, and at our landside facilities, we've maintained and improved services through hard work, new ideas, and substantial infrastructure investments.

On all fronts, Massport is breaking new ground.

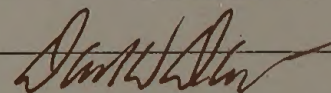
New directions to combat airfield congestion and delay, to expanding the

residential soundproofing program, to participating in the planning of the Central Artery/Third Harbor Tunnel, all have earned Massport national recognition for

leadership. Yet, despite this apparently full agenda, there's much more to be accomplished. Just ahead is a new decade full of promise, but also full of new demands and potential hurdles. Already, we are actively working on solutions to the challenges of the 1990s, challenges that will make today's seem simple by comparison.

At Massport, we face a decade of profound physical change, requiring years of planning and the investment of hundreds of millions of dollars in additional facilities at Logan Airport, at the Charlestown and South Boston seaport terminals, and at other properties.

Massport's ambitious agenda will stretch our resources and our imaginations to the limit. Once put into action, it will ensure that Massport remains a positive, driving force in New England's economy well into the next century.



**David W. Davis**

Executive Director











At Logan International Airport, the word *service* takes on a new meaning.

In response to the requirements of air travel today, Massport is blazing new paths and expanding the traditional role of airport managers.

Air travel is booming . . . as is the frequency of overbooked and cancelled flights, and lengthy delays. And congestion on the ground, in Boston and nationwide, adds to the air traveler's frustration.

Far more than merely acting as the caretaker of airport facilities, Massport has extended the concept of service in dramatically new directions. Massport's expanded definition of service includes getting passengers to the airport, making the terminals more pleasant once they arrive, and even coming forward with a bold, first-in-the-nation remedy for airport congestion.

Over the decade to come, Logan itself will be fundamentally restructured to make it more "user friendly", in terms of traffic, parking, and terminal access. This transformation, which will require years of careful planning and construction, and hundreds of millions of dollars in investment, has already begun.

Today's problems and tomorrow's challenges require innovative tools, aggressive strategies, and updated technologies . . . all directed at Massport's one unchanging goal: *service*.

## Setting the PACE for America's Airports

The summer of 1987 was a time of unprecedented congestion and delay. The nation began to recognize that airport capacity was a scarce and valuable resource and that it was time to start managing that capacity wisely.

Massport concluded that airport efficiency should be measured not by the number of aircraft handled, but by the number of people able to use the airport with a minimum of delay.

The old runway allocation system had weight-based landing fees that subsidized smaller aircraft. It was an inefficient, unfair system that meant 400 people in a 747 jumbo jet had to wait in line while four people in a subsidized private aircraft used a runway.

In July, as part of Massport's

PACE (Program for Airport Capacity Efficiency) initiative, Logan became the first U.S. airport to establish landing fees designed to provide the greatest service to the greatest number of passengers. PACE replaced an inequitable pricing structure with a new formula that makes all aircraft pay their fair share of airfield costs.

The Case for PACE	Jet	Commuter	Private Plane
Operations	60%	30%	10%
% Passengers	95%	4.5%	.5%
Passenger Numbers	21,850,000	1,035,000	115,000

For example, a Cessna 402 six seat propeller plane that used to pay \$25 to land, now pays \$95. In turn, a 747 which paid \$825 to land at Logan now pays \$430.

During poor weather for example, that change is expected to reduce peak hour delays by up to 40 percent.

Special interest groups oppose the plan, even though essential flights from smaller communities have been exempted and no class of airplanes has been denied access to Logan. PACE also promotes alternate airports around the region.

PACE has been challenged and

upheld in the Federal court but the issue is still alive in Congress and remains under review by the U.S. Department of Transportation.

Now Massport is refining PACE II to further reduce airport delays by giving priority to larger planes during peak hours.



## Making the federal case for a national problem

Air traffic congestion is a national problem. Massport's PACE strategy also includes a number of creative proposals that federal authorities have been asked to consider.

They include: expanded funding for regional airports to handle jet service; support for Boston/New York high-speed rail; more air traffic controllers; development of traffic alert and collision avoidance systems; and joint civil use of appropriate military air fields and preservation of surplus military fields.

Progress is being made. Congress has mandated the hiring of 1,000 new controllers and is considering civilian use of military airfields.



## P R O F I L E

### The Business Ace

#### Who Created PACE

As Massport's director of business development, Steve Martin led the team whose statistical analysis made the case for PACE.

After five years of studying and working the numbers, he realized Massport's best way to meet growing demand was to move more people in larger planes.

He showed that without PACE, Logan travelers would face an average of one hour and forty minute delays by 1990.

"For every person slightly inconvenienced by PACE," he explains, "175 people will save an average of 23 minutes in delay." Martin's bottom line: better service.

Large and small planes await takeoff at Logan International Airport. Through the PACE program, all aircraft—large and small—pay their fair share of airfield costs.







## Alternative to crowded airports

Almost 30 percent of the flights leaving Logan Airport every day are bound for the New York City area making Boston-New York the busiest air travel corridor in the country. That's why Massport supports Governor Michael S. Dukakis' push for high speed rail between the two cities.

A new technology makes three-hour train service possible from downtown Boston to downtown Manhattan and during the past year the Governor took part in two successful tests of high speed rail.

Massport offers alternatives to get to and from Logan. Among them, buses from the Framingham and Quincy suburbs, and a free-of-charge bus which takes passengers to all the terminals from the public transportation "T" stop.



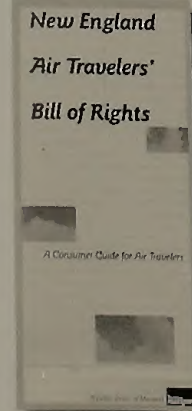
Governor Michael S. Dukakis and Secretary of Transportation Frederick P. Salvucci ride a high speed test train. In the future, these rail cars may be used as an alternative to flying between Boston and New York, the busiest air travel corridor in the United States.

"Our airports and roads are crowded, and expanding highways beyond a certain point or building new airports doesn't make sense economically or environmentally," Dukakis said. "If we are to keep our economic lifelines strong and healthy into the 21st century, reliable passenger train service throughout the Northeast Corridor is a must."

## Passenger Bill of Rights

As part of the PACE initiative, Massport was the first airport in the nation to publish a unique Passenger Bill of Rights. The booklet provides information and assistance on aviation related problems such as lost baggage, missed or cancelled flights, overbookings, and no-smoking rules.

"What are my rights?" "Who do I call?" About 50,000 air travelers who've received the booklet now have the answers.





## Getting a lift to Logan

Massport's expanded definition of service recognizes that the trip begins when air travelers set off to Logan, so it is fighting traffic congestion on the ground as well as in the skies.

Along with an extensive commitment of resources to the planning of the state's Central Artery/Third Harbor Tunnel project, Massport is aggressively supplying reliable and inexpensive ground transportation alternatives for today.

Massport's advertising campaign, with the theme "We'll give you a lift to Logan", plus the toll-free information number (1-800-23-LOGAN), has encouraged millions of New Englanders to use alternative methods to get to and from Logan.

For the first time in years, parking at Logan garages decreased two percent due to increased ridership of the MBTA Blue Line, the Airport Water Shuttle, taxis, limousines, and express buses.

The Airport Water Shuttle, a partnership between Massport and the Beacon Management Company, transported over 140,000 people in its first season of year-round service. Massport's Logan Express buses from Quincy on the South Shore and Framingham in Metrowest carried more than 300,000

passengers to and from Logan Airport. To alleviate rush hour tie-ups on airport roadways leading to the tunnels, a dedicated commercial vehicle lane was successfully instituted for buses, limos, trucks and taxis.



## P R O F I L E

### A Troubleshooter

#### at Logan's Terminals

Bob Mason is a Logan Airport terminal supervisor. And his job is making sure everyone else does theirs.

Bob works with airlines, restaurants and shopkeepers. He is one of six terminal supervisors who anticipate, spot, and correct problems.

He checks prices to make sure Massport's strict rules on concessions are enforced. He also

keeps an eye on the service provided and makes sure the terminals are

kept spotless. In sum, he looks at Logan through the eyes of the traveler.

When there are delays, passengers spend more time in the airport than they would like. Bob says, "My job is making your stay at Logan's terminals as pleasant as possible."

The Airport Water Shuttle makes one of many trips across Boston Harbor, shuttling passengers to and from Logan Airport in a speedy fifteen minute trip.









## Ending terminal boredom

Logan's new Terminal C stands in testimony to the unique way Massport views service: through the eyes of air travelers.

Two kinetic sculptures in perpetual motion, plus multi-mirrored walls, moving ceiling sculptures, and a touch sensitive "What's New, New England?" video information system all serve to engage and inform millions of travelers each year in Terminal C.

Massport hasn't forgotten the little things . . . or the little people. Kidport, a play area designed by the Boston Children's Museum, has been called an "oasis in the desert" and "a life saver" by grateful parents.

And to assure quality foods and products at competitive prices in Terminal E, Massport chose a concessionaire whose prices were fifteen percent less than other bidders: trading extra Logan revenues for lower prices for passengers. Logan's Terminal C now features contemporary restaurants, a fresh seafood mar-

ket, an "old fashioned" ice cream shop, and a well-stocked book store . . . all at prices comparable to downtown. Soon Terminal E will follow C's lead.

How does Massport know what travelers want? By listening.

Massport created the Logan Airport Advisory Committee, composed of travel industry leaders. In December, suggestion boxes were placed at the airport, and Massport has responded to consumer survey requests for more food variety, a telephone for the deaf, and even a diaper changing table in some terminal restrooms.

At Kidport, designed for Logan by the Children's Museum, Boston, travelers and their children can relax and play in a special place while waiting for flights.



## P R O F I L E

### The Pinball Wizard

Rudy D'Addario is a building equipment mechanic at Logan, with a genius for repairing revolving doors, snow melters, street gates . . . you name it.

But nothing in his job description mentions repairing kinetic sculptures at Logan's Terminal C. That didn't stop Rudy from adopting the engaging and quirky artworks, nicknamed the pinball machines, and repairing the one-of-a-kind, complicated mechanisms when they occasionally broke down.

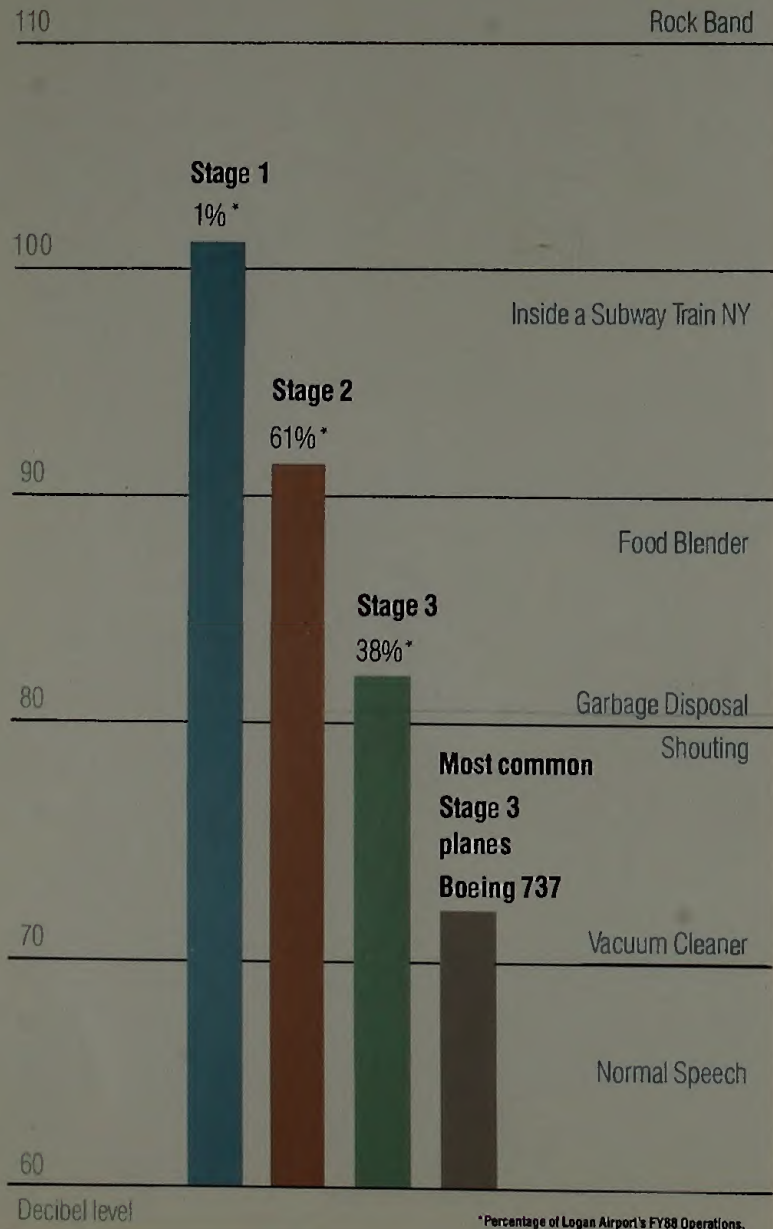
"They didn't come with instructions," explains Rudy. "But I've been able to keep things rolling so far."





## Keeping the Noise Down

### Common Noise Levels and How Airplanes Compare



This graph shows some common daily noises and their relationship to aircraft noise. Stage 1 planes—the oldest and noisiest—were banned from Logan Airport in January 1988. The most commonly used jets today are newer and quieter Stage 3 aircraft which produce an average noise level of 75 decibels. A new generation of Stage 3 aircraft, the 737's, are even quieter.

## Breaking new ground on sound

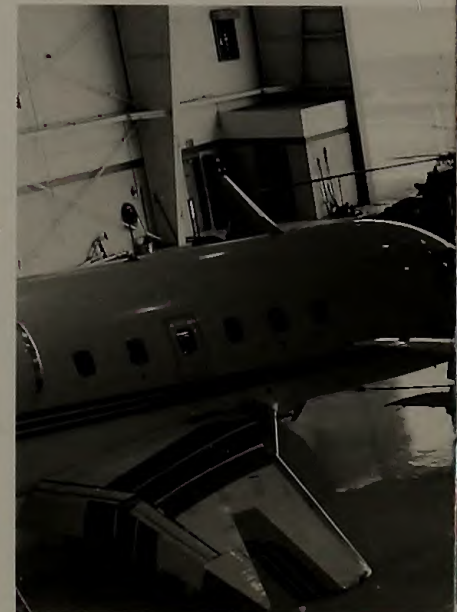
In 1986, tough and fair Noise Rules were developed by Massport to prevent growth in noise in spite of the increasing numbers of passengers and increase in flights.

At Logan, the oldest, noisiest planes are banned, and use of newer, quieter aircraft is encouraged. During sensitive nighttime hours only the quietest planes can fly in and out of Logan. Carriers who violated the rules paid more than \$50,000 in fines this year. Today, Logan has a larger percentage of quieter, modern planes . . . a higher percentage than the national average.

Massport's national leadership on the airport noise problem began in 1976 with the adoption of a noise abatement program. The program received a boost in 1982 with the first Federal Aviation

Administration (FAA) grant for school soundproofing.

In the past six years, 24 Boston, Chelsea, and Winthrop schools have been soundproofed, and the FAA has expanded the program nationwide. Massport's goal of soundproofing up to 240 homes in East Boston and Winthrop is moving forward.





## Hanscom Field: America's high tech skyway

Near Bedford, Concord, Lexington, and Lincoln, New England's second busiest airport serves the high tech industry in the sky just as route 128 serves it on the ground. Massport's Hanscom Field is a fully-equipped general aviation airport that's home to 500 planes with about 237,000 takeoffs and landings this year. The airport handles corporate aircraft, a commuter operation, and several flight schools. In 1988 commuter air service began to upstate New York and to Newark, New Jersey.

During the past year, work was begun on a noise monitoring system. Once in place, the new system—which will be tied to Logan Airport's—will give Massport a clearer picture of noise produced by takeoffs and landings.

As with Logan Airport, violators of Hanscom Field's noise rules were fined

and paid almost \$50,000.

Working with the Hanscom Field Advisory Commission and the Hanscom Area Traffic Study, Massport is addressing the issues of noise, growth, and the future so that Hanscom may continue to make a positive contribution to surrounding communities.



## P R O F I L E

### Communications Central

Working out of a high tech office that looks like a control tower, Jeannette Robinson is at Logan's nerve center.

She's one of nine communications coordinators who monitor emergencies, local roadway traffic, the condition of the terminals, the runways, and aircraft parking.

Jeannette is always "wired for sound," serving as Logan's communications link with the Federal Aviation Administration, State Police, and maintenance crews.

"I've dealt with finding lost kids, snow emergencies, fire control . . . even tracking down a purse snatcher," she explained. "Every day is different."

The Jet Aviation hangar at Hanscom Field in Bedford shows off a number of corporate jets while in the background, smaller, twin-engine planes are tied down at the general aviation airport.









Behind the Scenes





Massport's landside facilities and projects, and its management and redevelopment of real estate properties, reflect the Agency's pivotal role in regional economic development.

While Massport's contributions to air and sea transport are more obvious, the agency's positive impact on regional land transportation is no less important. As the owner and operator of the Tobin Memorial Bridge, and an active participant in the state's Central Artery/Third Harbor Tunnel project and the Central Artery North Area (CANA) project, Massport is guaranteeing future access to its facilities and it's tackling the number one threat to the regional economy: traffic congestion.

At its landside properties, as elsewhere, Massport has helped revitalize Boston's decaying waterfront and create thriving, multi-use properties that generate new jobs and business. The new World Trade Center Boston, for instance, brings millions of dollars in meeting and exhibition revenues to Boston, while laying the groundwork for greater regional participation in world markets.

The planned construction of World Trade Center II and additional facilities for an expanded fishing industry will require a significant commitment of Massport's managerial resources and expertise.

Massport is also pursuing bold initiatives for the future. In addition to large maintenance expenditures scheduled over the next ten years, plans are moving forward for large scale development of the Commonwealth Flats area between Northern Avenue and Summer Street.

## Tobin Memorial Bridge

Keeping New England's largest bridge in top shape and improving traffic flow is a full time job for 55 men and women.

Work is always under way somewhere on the Tobin Bridge's roadways and 4,500 tons of steelwork, thanks to one of the nation's most sophisticated and comprehensive

bridge maintenance programs. The 2.3 mile bridge's 18,000 cubic yards of steel and concrete link Boston to the North Shore.

To move traffic more quickly, and safely, on the bridge, Massport instituted a TV monitoring system that allows speedy, 24-hour breakdown service.

Bridge Improvement Program	Starting Date	Completion Date	Estimated Cost
Pier Repairs	1986	1986	1.2M
Fire Prevention System	1988	1989	2.3M
Drainage Repairs	1989	1989	365,000
Repair Safety Walk	1989	1989	220,000
Replace Toll Plaza	1989	1990	3.2M
Roadway Reconstruction	1988	1996	25M
Painting	1991	1996	30M
Steel Repairs	1988	1996	1M





## Straightening Out the Spaghetti

The most dangerous stretch of highway in New England, which rises above the Charles River and joins the Central Artery to the Tobin Bridge, is being repaired by the State Department of Public Works (DPW) with close Massport cooperation.

During the five-year project, Massport is working with the DPW and community residents to make sure the CANA (Central Artery North Area) project will improve traffic flow and safety, and remove the unsightly viaducts that now shadow Charlestown's City Square.



## P R O F I L E

### A Tow Truck People

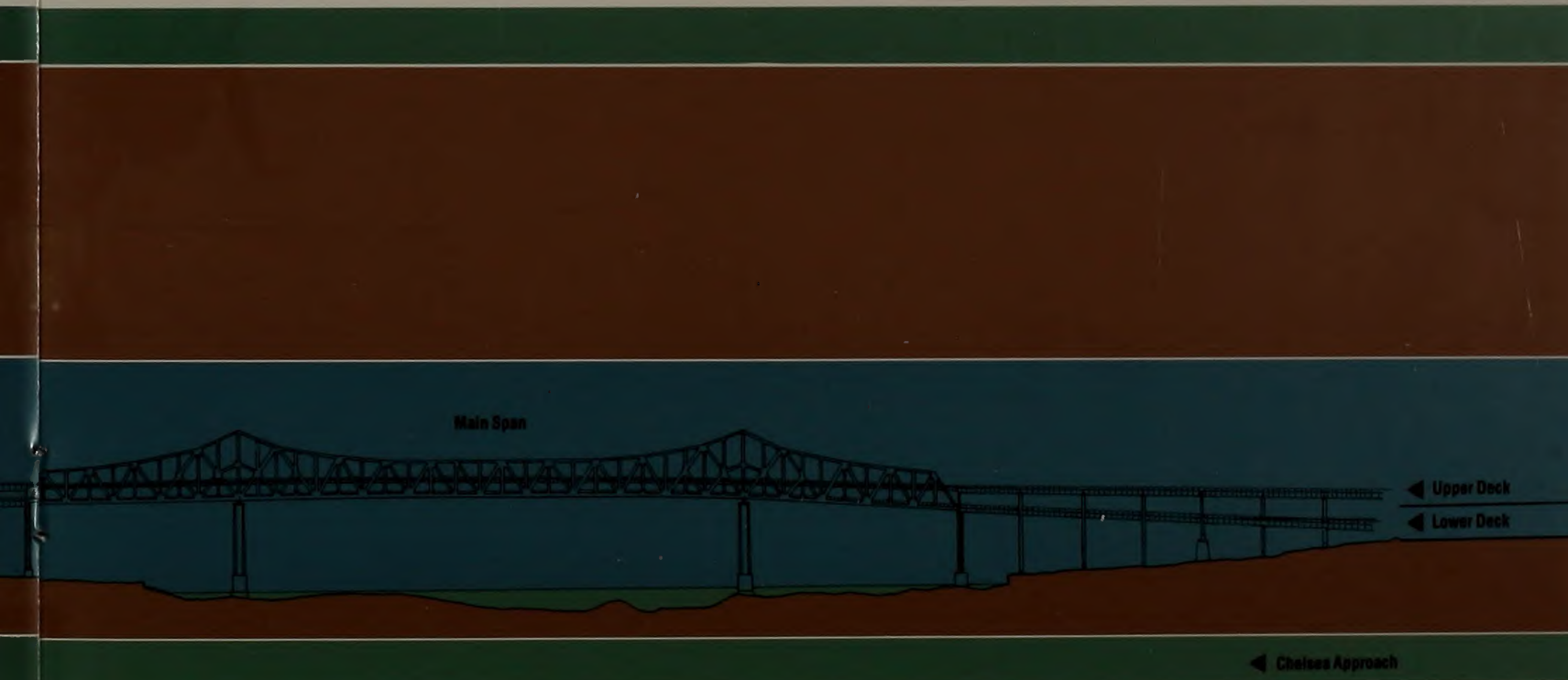
#### Are Happy to See

With luck, you'll never meet Arthur Suckney. But if your car breaks down on the Tobin Bridge, you'll be glad he's there.

Arthur is a Tobin Bridge "break down man", although some call him a road warrior.

"Because the bridge doesn't have a breakdown lane, a stalled car causes back-ups and accidents," said Arthur. "Bridge personnel are always watching on closed circuit TV. They radio me in the tow truck, and I'm on the scene in minutes."

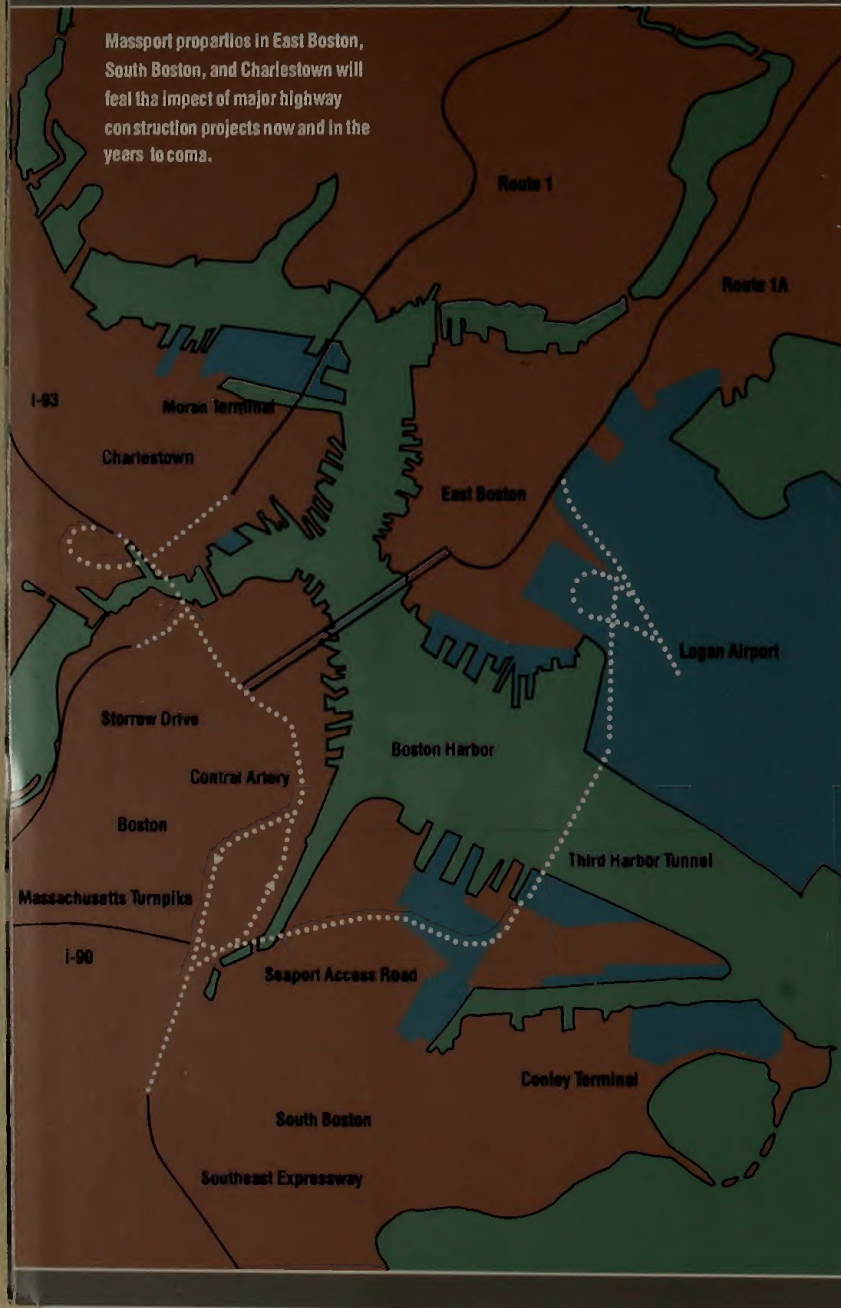
Driving a woman's son directly to the hospital for surgery after her car stalled on the bridge, and even pulling someone from a burning car is just "part of the job."





## Central Artery North Area Project and Artery/Tunnel Project .....

Massport properties in East Boston, South Boston, and Charlestown will feel the impact of major highway construction projects now and in the years to come.



## Helping Build the Region's Roadway to the Future

Massport is much more than a spectator when it comes to the state's \$4 billion Central Artery/Third Harbor Tunnel project.

Because both ends of the new tunnel will be on Massport property, Massport played a role in securing 90 percent federal funding, and helped with engineering and design work on the tunnel.

The new tunnel will improve access to Logan from the south and west, giving relief to the existing Callahan and Sumner tunnels. The future Seaport Access road will connect the Third Harbor Tunnel to the Massachusetts Turnpike and Southeast Expressway. This will encourage development opportunities,

improve getting to and from the seaport facilities, and it will mean less truck traffic in South Boston neighborhoods.

To fully assess and minimize the effects of construction on neighboring communities and on Authority operations, Massport's CHART (Cross Harbor and Regional Transportation) project is studying demand for air travel at Logan, future terminal design, changes in the airport roads, and ways to reduce highway demand.

Massport is already helping air cargo tenants and others who will be displaced by the new tunnel to relocate elsewhere on the airport in equivalent space.



Costa Rica's President Dr. Oscar Arias Sanchez promoted Costa Rican/New England business opportunities during his Boston visit.



## A World of Difference at the World Trade Center

Massport has transformed the underutilized Commonwealth Pier into a vibrant contributor to the region's economy.

A successful partnership between Massport and private developers created the World Trade Center Boston, with 865,000 square feet of office space plus a market center, exhibition areas, a conference center, and docking facilities.

This year it hosted a three-day Irish Trade Festival attended by 6,000 people, a Korean purchasing mission resulting in \$20 million in sales of New England products, a China Trade Fest, and separate seminars with Soviet and Hungarian trade officials for New England companies.

In addition, the World Trade Center Boston served as the site for the largest seafood show in the world, Massport's third annual Maritime Conference, and for a day-long series of events with Costa Rica's President Oscar Arias. The Arias visit resulted in the investment of more than \$50 million in Costa Rica by U.S. companies.

There are now plans for a World Trade Center II to be located in the Commonwealth Flats area of South Boston. These developments will be closely integrated with the design of the new Seaport Access Road which connects the Massachusetts Turnpike and the proposed new tunnel. Massport is already making plans to keep port traffic moving during and after construction and to keep truck traffic off the residential streets of South Boston.

## Trade Development Unit

With offices in—naturally—the World Trade Center Boston, Massport's Trade Development Unit helps over 100 New England businesses each year do more business overseas.

Building on past successes in the European, Far Eastern, and African markets, the unit added new personnel and has a new emphasis on the growing Latin American trade.

The unit helped generate tens of millions of dollars in overseas sales for local businesses. It provided marketing advice, arranged contacts, and brought New England business owners to foreign trade shows. The unit also hosted delegations of foreign businesses and officials such as Costa Rican President Oscar Arias.



## P R O F I L E

### Welcome to the

### Styrofoam-Free Zone

As Massport's chief of environmental management, Robin Ellis does all the things you'd expect, and some that maybe you wouldn't.

She developed a policy that led to the banning of styrofoam cups from all Massport offices. Styrofoam cups?

"The production of styrofoam releases chlorofluorocarbons (CFCs) into the atmosphere," Ellis explains. "CFCs deplete Earth's ozone layer, increasing the sun's ultraviolet rays . . . leading to skin cancer, and global climatic changes."

Styrofoam is also non-biodegradable and its burning creates toxic air pollutants.





## Northern Avenue's

### Comeback Trail

The success of the Boston Fish Pier and the World Trade Center was strongly supported by Massport's \$15 million, decade-long rehabilitation work on Northern Avenue.

Massport's investment in infrastructure improvements transformed Northern Avenue into the city's newest corridor of maritime activity and international trade. It's an investment in the future health of the economy that will pay dividends for decades to come.

## Community Relations

Massport has found many ways to be a good neighbor. Moving homes and building new ones in quieter sections of East Boston and devising new routes to keep trucks out of South Boston are some examples. Massport keeps in touch with its neighbors by attending scores of community meetings. This "early warning system" helps Massport respond to neighborhood concerns *before* they become problems.

For the tenth year in a row, Massport made voluntary in lieu of tax payments to Boston, Chelsea, and Winthrop. This year the three communities received \$6.3 million, bringing total contributions since 1979 to more than \$50 million.

## Constitution Plaza

Massport's conversion of the obsolete Hoosac Pier into the dynamic Constitution Plaza continues to demonstrate the success of public and private entrepreneurship. The formerly rundown waterfront property boasts a new marina, public walkway, restaurant, and fully-leased office space overlooking the historic U.S.S. Constitution frigate.

Representatives of the Tokyo Ministry of Construction tour the World Trade Center Boston as part of their visit to one of Boston's pioneer private and public sector redevelopment projects. The World Trade Center Boston is the city's first center for international commerce and foreign trade and is also the home of Massport's Foreign Trade Unit.



## Transportation Building

Massport also manages the Transportation Building, which houses the state's transportation agencies and has served as the cornerstone of the economic comeback of Boston's Park Square/Theatre District.

The building is unique in several ways:

It is the first state office building to include a ground floor with privately-operated restaurants and shops in a central atrium that is home to the Artists' Foundation program of performing and visual arts. The complex, known as CityPlace, attracts enthusiastic lunchtime crowds.

The building also features a day care center, an extensive library, conference rooms, and a one-of-a-kind heating system fueled by recycled energy from machines and body heat.

The Transportation Building has helped revive the city's Park Plaza/Theatre District. Inside, the Building combines public offices with private retail space. At lunchtime, art exhibits and live music entertain employees and passersby.



## PROFILE

### Culture, Commerce,

### Calories and Kids

Teri Mitton is concerned with everything from special events and concerts, to security and cleaning, to making sure the day care center's tiny occupants are having fun.

As assistant general manager of the Transportation Building, her tenants include two fast-food Chinese restaurants, a bank, an art gallery, a center for the performing arts, a photo lab, plus all the state transportation agencies.

It's not your typical office building.

"We run this as a class "A" commercial space," explains Mitton. "It's a great working environment for employees, and it generates revenue for the state."













A strategy of cost containment, capital investment, and labor stability helps Massport continue to win new customers for the Port of Boston by offering New England shippers better service and better facilities at competitive rates.

At its three public terminals—Moran Container Terminal in Charlestown, Conley Terminal and the Harbor Gateway Terminal in South Boston—Massport is engaged in the complex and expensive task of anticipating future demand and building for tomorrow.

A newly restructured Maritime Department, with an emphasis on reducing costs, labor productivity, and service, pursues a goal of more and better business for Boston's working port and its customers. "Keeping New England Prosperous" was the theme of the Third Annual Maritime conference that the department hosted in March for the regional maritime community.

Building on several years of labor stability, Massport's port facilities will be even more competitive in the future. The Maritime Department is exploring various options to expand shipping opportunities, including development of bulk cargo facilities, volume and direct call incentives, the consolidation and streamlining of cargo operations, and state-of-the-art computerization to track cargo. Several major capital investments, including possible construction of a railroad link, are part of Massport's growing agenda for the coming decade.

## Modernizing Maritime Operations

The \$7 million paving and upgrading project at Conley Terminal opened the port to the easier handling of the largest container ships in the world. Atlantic Class vessels began service to Boston in April 1988, and now make weekly calls at Conley Terminal.

Moran Container Terminal has added 18 acres to the storage yard, permitting containers to be stacked lower for more maneuverability and faster processing. The result: better service.

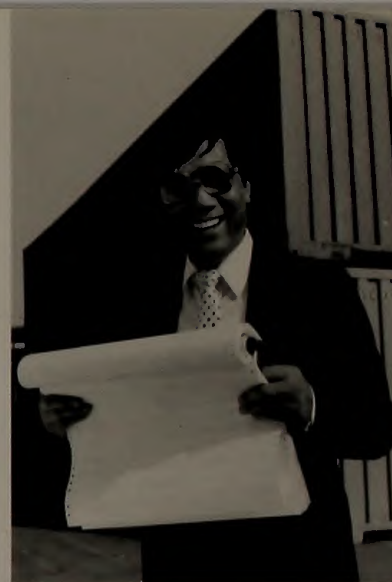
General cargo at Massport's terminals topped one million tons

again this year, with per ton value rising to a record \$4,535. At the same time export tonnage, a good measure of the vitality of the local economy, has risen by 2 percent, while the number of automobiles shipped also rose by 2 percent.





Moran operations are more fine-tuned as a new paving project expanded the facility's container storage yard. Now, containers can be stacked lower and cranes can maneuver more easily in the yard.



## P R O F I L E

### Tracking Fast Moving Cargo

A former journalist with the Kyoto News in Viet Nam, Vinh Van Pham discovered a new life in the United States in 1975, and a knack for computer programming.

"Tony", as he is known at Moran Terminal, suggested in 1979 that Massport stop leasing computer time, and instead buy two personal computers to track cargo at Moran. He then wrote all the software programs, and even modified the Maritime Department's marketing programs.

"When I first arrived we kept track of containers by hand", Tony recalls. "Today it would be impossible to do it that way."

His outstanding work has greatly increased the efficiency of the maritime operation.







The Royal Viking, on its way to New York from London, makes a one-day stop in Boston as it readies to dock at the Black Falcon Cruise Terminal in South Boston.



## Cruising to Success

An aggressive direct marketing campaign helped Massport's Black Falcon Cruise Terminal in South Boston enjoy a 21 percent increase in ship calls. This legwork will bring new business in the years to come and repeat business by the Cunard, Royal Cruises, Royal Viking, and Chandris cruise lines. During this past year Cunard's Sagafjord made its debut visit.

## A Big Fish Story

Ten years ago the Boston Fish Pier faced demolition.

Today, after a \$25 million investment, the old 143,000 square foot fish processing area houses 19 clean, efficient, fish processing plants. The Pier's improved docking facilities accommodate a record 60 vessels.

In addition, the leasing of 80,000 square feet of prime waterfront office space at the Pier will generate revenue to help subsidize fish processing operations.



## The East Boston Piers

Massport continues to work with the state to develop the East Boston Piers into a centralized lobster terminal with docking and storage facilities. A park for neighborhood residents is also planned. Already, Massport has contributed \$5 million to the state to help pay for the park.

## A One Stop Marine Center

Boston Harbor is thriving once again with the kinds of businesses that keep the marine industry alive. A partnership between Massport and Cashman Marine Enterprises has created a combination ship repair and marina facility that has preserved the jobs of 50 workers, and which this year alone also created 50 new jobs when the shipyard attracted new tenants.

Cashman Marine Enterprises will soon develop the marina and open it up to more than 200 slips for recreational boats. The \$2.5 million development will bring with it yacht repair companies and other marine-related tenants to service sailing and power boats.

The newly renovated Fish Pier continues to be a productive waterfront property that serves the fish industry and provides prime waterfront office space.



## P R O F I L E

### He Covers the Waterfront

Orville Wilson is a familiar face to regulars at the Boston Fish Pier, where he serves as maintenance supervisor.

Orville supervises cleaning and routine operations, which include street sweeping, snow removal, traffic, parking, and security.

He takes the job seriously, particularly when it comes to stopping anyone from further polluting Boston Harbor.

"A lot of us make our living from the sea, one way or another," Orville said. "We ought to treat it with respect."



## Massport Board Members

### Left to Right, Back Row:

**Juan J. Evereteze** is president of Spectrum Airlines, Inc., a New Bedford, Massachusetts Corporation. Term expires in 1989.

**Paul F. Nace, Jr.** is a real estate developer and consultant in Boston. Term expires in 1991.

**E. Paul Robsham\*** outgoing member is president of Robsham Industries, a real estate development firm in Framingham, Massachusetts. Term expired in 1988.

**Charles M. Raso** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires in 1993.

### Seated Left to Right, Front Row:

**Jacquelyn R. Smith** is financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires in 1994.

**Richard A. Giesser** is the Chairman of the Board. He is a financial and management consultant and serves on several corporate and non-profit boards of directors. Term expires in 1995.

**John A. Vitagliano** is Vice Chairman of the Board. He is superintendent of tolls collection for the Massachusetts Turnpike Authority. Term expires 1992.

**Miguel A. Satul** is president of Associated Grant-makers of Massachusetts, a Boston based non-profit organization. Term expires in 1990.



\*Mr. Robsham's term expired in 1988. In August 1988, Juan J. Evereteze was appointed to the Massport board.



**Financial**

**Report**



## **Independent Auditor's Report**

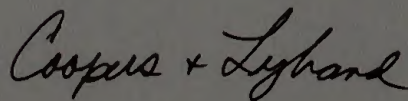
### **Massachusetts Port Authority**

#### **Boston, Massachusetts**

We have audited the accompanying balance sheets of the Massachusetts Port Authority as of June 30, 1988 and 1987, and the related statements of income and changes in retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Port Authority at June 30, 1988 and 1987, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.



**Boston, Massachusetts**

**September 2, 1988**



## Balance Sheets

Massachusetts Port Authority

June 30, 1988 and 1987

<b>Assets</b>	<b>1988</b>	<b>1987</b>	<b>Liabilities and Fund Equity</b>	<b>1988</b>	<b>1987</b>
	(in thousands)			(in thousands)	
Cash (Note C)	\$ 1,323	\$ 1,341	<b>Liabilities</b>	\$ 27,126	\$ 23,473
Investments (Notes A and C)	151,896	144,467	Accounts payable and accrued expenses (Note G)	4,993	5,350
Accounts receivable, less allowance for doubtful accounts of \$855,000 in 1988 and \$719,000 in 1987	13,696	13,481	Accrued pension cost (Note F)	10,891	11,016
Prepayments and other assets (Notes A and G)	19,705	19,529	Accrued interest payable	288,815	293,010
	186,620	178,818	Funded debt (Note E)	331,825	332,849
			Total Liabilities		
Investments in facilities (Notes A and D):				1,807	1,969
Facilities completed:			<b>Deferred income</b>		
Airports	568,234	538,926	<b>Contingent liabilities and commitments</b>		
Bridge	67,226	63,507	(Notes H, J and K)		
Port (Note H)	209,575	195,590	<b>Fund Equity</b> (Notes A, B and C)		
	845,035	798,023	Retained earnings	353,504	331,249
Less accumulated depreciation and amortization	(327,636)	(296,551)	Contributed capital, grants-in-aid of construction	58,900	56,676
	517,399	501,472	Total Fund Equity	412,404	387,925
Construction in progress	42,017	42,453	Total Liabilities and Fund Equity	\$746,036	\$722,743
Net investment in facilities	559,416	543,925			
Total Assets	\$746,036	\$722,743			

The accompanying notes are an integral part of the financial statements.



## Statements of Income and Changes in Retained Earnings

For the years ended June 30, 1988 and 1987

	1988	1987
	(in thousands)	
<b>Revenues (Note B):</b>		
Tolls, fees and sales of services	\$101,794	\$102,603
Rentals (Note K)	38,540	37,326
Concessions (Note K)	21,882	20,087
Income on investments (Note A)	9,704	10,058
Other	4,458	3,111
Total Revenues	<u>176,378</u>	<u>173,185</u>
<b>Expenses (Note B):</b>		
Operations and maintenance	68,768	61,179
Administration	23,810	22,742
Insurance	4,064	4,563
Pension cost (Note F)	1,751	1,914
Interest (Note A)	21,328	19,418
In lieu of taxes (Note I)	6,300	5,973
Total Expenses	<u>126,021</u>	<u>115,789</u>
<b>Income before depreciation and amortization</b>	<b>50,357</b>	<b>57,396</b>
Depreciation and amortization, including \$3,057,000 in 1988 and \$2,824,000 in 1987 on assets acquired with contributed capital, grants-in-aid of construction	31,159	29,191
<b>Net Income</b>	<u><b>19,198</b></u>	<u><b>28,205</b></u>
Add credit arising from transfer of depreciation to contributed capital	3,057	2,824
Retained earnings, at beginning of year	<u>331,249</u>	<u>300,220</u>
<b>Retained earnings, at end of year</b>	<u><b>\$353,504</b></u>	<u><b>\$331,249</b></u>

## Statements of Changes in Financial Position

For the years ended June 30, 1988 and 1987

	1988	1987
	(in thousands)	
<b>Funds Provided From:</b>		
Net income	\$19,198	\$28,205
Adjustments for noncash transactions:		
Depreciation and amortization	31,159	29,191
Funds provided from operations	<u>50,357</u>	<u>57,396</u>
Contributed capital, grants-in-aid of construction	5,281	15,375
Increase (decrease) in deferred income and liabilities other than funded debt	3,009	(3,791)
Total Funds Provided	<u>58,647</u>	<u>68,980</u>
<b>Funds Applied To:</b>		
Cost of facilities	46,650	58,492
Retirement of funded debt (Note E)	4,195	3,300
Increase in other assets	391	14,073
Total Funds Applied	<u>51,236</u>	<u>75,865</u>
<b>Net Increase (Decrease) in Cash And Investments</b>	<u><b>\$ 7,411</b></u>	<u><b>\$ (6,885)</b></u>

The accompanying notes are an integral part of the financial statements.



The Massachusetts Port Authority (The Authority) is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

#### **A. Accounting Principles:**

Investments in U.S. Government obligations and agencies of the U.S. Government are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost plus accrued interest.

Facilities are carried at cost, and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed capital as earned and amortized on the straight-line method over the service lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$335,000 in 1988 and \$2,033,000 in 1987, reduced by interest income of \$47,000 in 1988 and \$305,000 in 1987, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement (See Note 8).

#### **B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:**

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund (to the extent that Port Properties revenues exceed Port Properties expenses), the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.

#### **Notes to**

#### **Financial Statements**



## Notes to

## Financial Statements,

Continued

**B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:**

Presented below are the 1988 and 1987 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation and amortization as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

(Dollar Amounts In Thousands)	1988						1987	
	Bridge	Airport Properties	Port Properties*		Facilities Management	Investment Income	Combined Total	Combined Total
			Maritime	Development**				
<b>Revenues:</b>								
1978 Pledged Revenues	\$7,324	\$ 67,010	\$	\$	\$	\$9,126	\$ 83,460	\$ 85,239
Other	28	68,030	19,261	4,041	1,031	578	92,969	87,946
	<u>\$7,352</u>	<u>\$135,040</u>	<u>\$19,261</u>	<u>\$4,041</u>	<u>\$1,031</u>	<u>\$9,704</u>	<u>\$176,429</u>	<u>\$173,185</u>
<b>Operating Expenses:</b>								
Operations and Maintenance	\$2,316	\$ 47,515	\$16,900	\$1,678	\$ 359		\$ 68,768	\$ 61,179
Administration	1,303	16,043	4,488	1,461	515		23,810	22,742
Insurance	620	3,538	1,319	549	108		6,134	7,803
Pension (Note F)	149	1,476	328	107	48		2,108	2,251
	<u>\$4,388</u>	<u>\$ 68,572</u>	<u>\$23,035</u>	<u>\$3,795</u>	<u>\$1,030</u>		<u>\$100,820</u>	<u>\$ 93,975</u>
<b>Excess of Revenues Over Operating Expenses Under Trust Agreement</b>							<b>\$ 75,609</b>	<b>\$ 79,210</b>
Add: Self Insurance Cost (Expensed Under Trust Agreement; Not an expense under GAAP)							2,070	3,240
Add: Pension Adjustment (Pension cost is greater under Trust Agreement than under GAAP)							357	337
Less: Difference on gain on sale of equipment (Equipment is depreciated under GAAP but not under Trust Agreement.)							(51)	—
Less: Payments in lieu of taxes (Not an operating expense under Trust Agreement; Expensed under GAAP)							(6,300)	(5,973)
Less: Interest on funded debt, net of interest capitalized on projects under construction (Not an operating expense under Trust Agreement; Expensed under GAAP)							(21,328)	(19,418)
<b>Income Before Depreciation and Amortization Under GAAP</b>							<b>\$ 50,357</b>	<b>\$ 57,396</b>

\* None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvement to Port Properties. Under the Enabling Act, the net revenue from Port Properties, if any, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note H).

\*\* Development includes activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year. At June 30, 1988 unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$43,539,000.



### C. Cash and investments:

The following summarizes the Authority's cash and investments at June 30, 1988, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

	Cash	Investments	Total
		(in thousands)	
<b>Use defined for specific purposes: *</b>			
1978 Debt Service Fund	\$ 561	\$ 31,805	\$ 32,366
Operating Fund, including appropriations for self-insurance	300	12,149	12,449
Maintenance Reserve Fund	4	42,386	42,390
In Lieu of Taxes Fund	2	3,325	3,327
Improvement and Extension Fund	445	50,290	50,735
1985 Interest & Sinking Fund	11	11,941	11,952
	<u>\$1,323</u>	<u>\$151,896</u>	<u>\$153,219</u>

\* See also Note B for the amount of unexpended pledged revenues at June 30, 1988.

The following summarizes the Authority's investments by type of investment held at June 30, 1988.

	Carrying Amount	Market Value
	(in thousands)	
Certificate of Deposit	\$ 100	\$ 100
Repurchase Agreements	19,756	19,756
U.S. Government Securities and Agencies:		
Treasury Notes	68,319	68,393
Treasury Bonds	1,004	1,002
Federal Farm Credit (FFC)	7,179	7,174
Federal National Mortgage Association (FNMA) Notes	17,815	17,737
Federal Home Loan Bank (FHLB) Notes	37,723	37,602
Total U.S. Government Securities and Agencies	<u>132,040</u>	<u>131,908</u>
Total Investments	<u>\$151,896</u>	<u>\$151,764</u>

### C. Cash and investments, continued:

The Authority is authorized by the 1978 Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies, and instrumentalities, in Bonds or Notes of public agencies or municipalities, in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's Trustee and Custodian.

U.S. Government securities other than FNMA, FHLB, and FFC securities are guaranteed by the U.S. Government. The Certificate of Deposit is fully guaranteed by the Federal Depository Insurance Corporation. Repurchase agreements are collateralized by obligations of the Federal government or agencies of the Federal government. It is required that securities underlying repurchase agreements must have a market value at least equal to the cost of the agreement plus accrued interest.

### D. Investments in Facilities and Depreciation:

	1988	1987
	(in thousands)	
<b>Facilities completed:</b>		
Land and land improvements	\$ 99,710	\$ 99,710
Bridge and bridge improvements	66,092	62,146
Buildings	455,572	433,385
Runways and other paving	189,438	170,767
Machinery and equipment	34,223	32,015
Accumulated depreciation	(327,636)	(296,551)
	<u>517,399</u>	<u>501,472</u>
<b>Construction in progress</b>	<u>42,017</u>	<u>42,453</u>
<b>Net investment in facilities</b>	<u>\$559,416</u>	<u>\$543,925</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities—buildings, runways and other paving	10 and 25 years
Port facilities—buildings and piers	25 years
Machinery and equipment	10 years



**Notes to  
Financial Statements,**

Continued

**E. Funded Debt:**

Funded debt at June 30, 1988, is comprised of:

Maturity on July 1	Revenue Refunding Bonds Series 1978		Revenue Refunding Bonds Series 1985 A & B		
	(Dollar amounts in thousands)		(Dollar amounts in thousands)		
	Interest Rate	Amount	Interest Rate	Amount	Total
<b>Serial Bonds:</b>					
1988	6.1%	\$ 3,720	6.25%	\$ 735	\$ 4,455
1989	6.2	3,955	6.75	780	4,735
1990	6.3	4,000	7.00	830	4,830
1991	6.4	4,265	7.25	885	5,150
1992	6.5	4,545	7.50	955	5,500
1993	6.6	4,840	7.75	1,025	5,865
1994	6.7	5,165	8.00	1,105	6,270
1995	6.8	5,520	8.25	1,190	6,710
1996	6.8	5,905	8.50	1,290	7,195
1997	6.9	6,305	8.70	1,405	7,710
1998	—	—	8.80	1,520	1,520
1999	—	—	8.90	1,655	1,655
2000	—	—	9.00	1,805	1,805
Total Serial Bonds		48,220		15,180	63,400
<b>Term Bonds:</b>					
1998-2012	7.125	166,385	—	—	166,385
2001-2005	—	—	9.25	9,500	9,500
2001-2015	—	—	9.375	49,530	49,530
<b>Total Funded Debt</b>		<u>\$214,605</u>		<u>\$74,210</u>	<u>\$288,815</u>

See Note B for revenues pledged as security for the 1978 Bonds and available for the 1985 Bonds.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 1988, the following bonds outstanding are considered defeased:

1964	Series	\$ 40,475,000
1969	Series	51,570,000
1971	Series	64,505,000
1973	Series	91,330,000
1982	Series	53,735,000
Total Defeased Bonds		<u>\$301,615,000</u>



## F. Pension Costs

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the "Massachusetts Acts of 1978" and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment, the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation date of January 1, 1987, was \$21,268,000. Total payroll for all Authority employees was \$29,277,000 for the twelve months ended December 31, 1986.

The actuarial cost method utilized to determine contributions to the Plan for the year ended December 31, 1987 is the entry age normal-frozen initial liability cost method.

The more significant actuarial assumptions underlying the actuarial computations for the Plan year ended December 31, 1987 are as follows:

Assumed rate of return on investments	8% per annum compounded annually
Nondisabled life mortality basis	1971 Group Annuity Mortality Table for males and the same table with ages set back six years for females
Employee turnover basis	Based on actuarial table T-5 from the Pension Actuaries Handbook
Salary escalation	6% per annum
Retirement	Age 63 or age as of the valuation date if later
Retirement benefits	2.35% per year of service
Post-retirement cost of living increases	5.50% per annum compounded annually

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other Public Employee's Retirement Systems Plans. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1987. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 6 percent per year, attributable to inflation and merit increase, and (c) postretirement benefit increases from an assumed cost of living increase of 5½ percent annually.

At January 1, 1987 the assets in excess of pension benefit obligation was \$4,038,492, determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$16,719,265
Current employees:	
Employee financed	11,251,523
Employer-financed vested	8,934,000
Employer-financed nonvested	6,756,000
Total pension benefit obligation	43,660,788
Net assets available for benefits	47,699,280
Assets in excess of pension benefit obligation	<u>\$ 4,038,492</u>

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. Employer contributions are determined using the entry age normal-frozen initial liability cost method. The Plan also amortizes the unfunded liability in level amounts over a period of 20 years.



## Notes to Financial Statements,

Continued

### F. Pension Costs, continued:

Total contributions to the Plan were \$4,051,108 for the Plan year ended December 31, 1987. This includes employee contributions of \$1,710,941 which are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983 and 8% for employees hired after December 31, 1983) and employer contributions of \$2,340,167 which were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed for the Plan's fiscal year beginning January 1, 1987. Employer contributions consisted of: (a) \$844,926 normal cost, (b) \$1,170,837 amortization of the unfunded actuarial accrued liability, and (c) \$324,404 funding for operating costs. These contributions made by the employee and employer during Plan year 1987 represent 8% and 11% of covered payroll, respectively.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Plan Year	(1)	(2)	(3)	(4)	(5)	(6)
	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded (1) ÷ (2)	Assets in Excess of Pension Benefit Obligation (1) - (2)	Annual Covered Payroll	Assets in Excess of Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1987*	\$47,699,280	\$43,660,788	109.2%	\$4,038,492	\$21,268,000	19.0%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the PERS.

Historical trend information for the plan years 1979 (year of Plan inception) through 1987 designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in the Plan's separately issued financial statements.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs that were determined as of July 1, 1973, over a 25-year period commencing in 1974. Total pension expense so determined was \$1,751,000 in 1988 and \$1,914,000 in 1987.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was \$352,000 and \$265,000 for the years ended June 30, 1988 and 1987, respectively.

### G. Deferred Compensation:

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority's (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were each \$3,072,000 at June 30, 1988 and \$2,042,000 at June 30, 1987. These amounts are included in the accompanying balance sheet under the captions Prepayments and other assets and Accounts payable and accrued expenses.

\* Pension benefit obligation information for Plan years 1985 through 1986 is unavailable and, accordingly, only the 1987 information is presented here.



## **H. Contingent Liabilities and Commitments:**

### **Payments to The Commonwealth of Massachusetts for Port Facilities:**

As consideration for the Port Properties acquired from the Commonwealth in prior years, the Authority was required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority paid an amount specified in the Enabling Act. At June 30, 1988, the amount contingently payable to the Commonwealth, not reflected in the financial statements, aggregated \$17,936,000.

The Authority is no longer required to make and further payments to the Commonwealth pursuant to the above provision of the Enabling Act because, under a statute enacted in July 1988, the Authority is released from the obligation to repay to the Commonwealth the above amount for Port Properties provided that the Authority pays \$5 million to the Commonwealth. On July 29, 1988, the Authority paid \$5 million to the Commonwealth as complete satisfaction of the Authority's obligation to make the above payments to the Commonwealth; therefore, the Authority has no further obligation to pay the Commonwealth regarding the Port Properties as specified in the Enabling Act.

### **Contractual Obligations for Construction:**

Contractual obligations for construction were approximately \$35,873,000 at June 30, 1988.

## **I. In Lieu of Taxes:**

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$6,300,000 to these municipalities, of which \$5,257,000 is subject to annual adjustment through 1990 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from 1992 through 1997, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, payments to the Commonwealth (see Note H), deposits to the Interest and Sinking Fund and deposits to the Maintenance Reserve Fund.

## **J. Litigation:**

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc. (World), carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 41 lawsuits have been filed naming or joining the Authority as a direct or third-party defendant. These lawsuits include personal injury actions by passengers and members of the flight crew, an action by Hughes Aircraft Corporation alleging damage to certain flight instruments on board the aircraft at the time of the incident, and third-party complaints and a direct complaint filed by World against both the Authority and the Federal Aviation Administration. The Third-Party Complaint in one of these cases as well as the direct complaint filed by World seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World is obligated to pay to passengers for personal injuries. World also moved to amend its direct complaint against the Authority to include a claim under Massachusetts General Laws c. 93A which prohibits unfair or deceptive acts and practices in trade or commerce and provides for treble damages in the event of a knowing or willful violation.

The Authority filed its opposition to this motion. The Authority also filed appropriate responsive pleadings in each of the lawsuits denying all liability and containing appropriate cross claims. In addition to the lawsuits, 17 claims arising out of this incident have been filed with the Authority to date. Any additional claims or lawsuits filed against the Authority alleging negligence may be barred by the three year statute of limitations governing such suits. A trial on the merits with respect to the liability phase of this litigation was held during the period November, 1985 to March, 1986. After several days of deliberations by the jury, the Court declared a mistrial with respect to the liability claims against the Authority due to the inability of the jurors to reach unanimous agreement. The mistrial as to the claims against the Authority, however, did not preclude the judge from deciding the liability portion of the case of World against the United States government. Findings and Conclusions were rendered on April 27, 1986 which allocated percentages of causal negligence as follows: World—50%; the Authority—30%; and United States—20%. In addition, the Judge found that the Authority was entitled to judgement by the Court (at a future date) on World's c. 93A claim.

In view of the mistrial, however, this decision did not impose any liability on the Authority for: (1) the claims of World against the Authority for hull damage and/or contribution as to World's payouts in settlement of passenger claims; (2) the claims of the crew against the Authority; or (3) the claims of the United States against the Authority for contribution arising out of liability for damage to the hull and/or liability to the crew. Such claims will be the subject of a subsequent trial by jury which will be preceded by a damage trial rescheduled for early 1989.



## Notes to Financial Statements,

Continued

### J. Litigation continued:

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and analysis of the asserted claims following extensive discovery to date, the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.

In April 1986, the Authority's Bridge and Port primary general liability insurer filed a petition of insolvency. Under the terms of its policy with the insurer, the Authority was insured to the extent of \$1 million for each occurrence and \$2 million in the aggregate for personal injuries and property damage. The Massachusetts Insurer's Insolvency Guaranty Fund will provide coverage up to the statutory limit of \$300,000 for each claim that would have been covered by the insurer, if not for the insolvency. The Authority has additional insurance with another insurer which covers such portion of each claim as exceeds \$1 million. This results in a gap in coverage for each such claim of up to \$700,000 for which the Authority may be at risk. Based upon the specific damages alleged by plaintiffs (exclusive of interest that may accrue from the date of filing to the date of final disposition) in civil actions currently in suit, the aggregate potential uninsured liability is approximately \$2,650,000. This amount does not include the Authority's potential uninsured liability in two actions for which alleged damages have not been quantified by the plaintiffs. In the opinion of legal counsel, the Authority's ultimate liability is indeterminable, but the Authority does not expect that these claims will require amounts to be paid, which in the aggregate, will have a material adverse effect on its financial condition.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing all actions and proceedings pending against or involving the Authority, consider the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material.

### K. Leases:

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately \$20,000,000 in 1988 and \$18,690,000 in 1987.

Minimum future rentals, excluding contingent rentals, from noncancelable operating leases as of June 30, 1988 are as follows:

Year Ending June 30	Amount (in thousands)
1989	\$ 18,549
1990	17,147
1991	16,819
1992	16,318
1993	15,951
Thereafter	280,094
	<u>\$364,878</u>

### L. Related Party:

In June of 1984 the Authority entered into a lease agreement, which expired in June of 1988 and was renewed through June of 1993, with The Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$1,302,000 in 1988 to the Commonwealth of Massachusetts. The Authority also entered into a contract which expired on June 30, 1988 and was renewed through June 30, 1989, to provide building management services for the State Transportation Building. Consideration for these services was \$254,000 in 1988. The Commonwealth of Massachusetts also reimbursed to the Authority approximately \$777,000 of direct building management expenses incurred by the Authority and approximately \$4,416,000 for building expenses paid by the Authority on behalf of The Commonwealth of Massachusetts.



**Gross Revenues, Authority-wide** ..... \$176.4 million  
**Net Income** ..... 19.2 million

**Logan International Airport, East Boston**

Total Passengers ..... 23.2 million  
     Domestic ..... 20.4 million  
     International ..... 2.8 million  
 Total Pounds of Cargo and Mail ..... 749 million

**L. G. Hanscom Field, Bedford**

Total Operations (Takeoffs/Landings) ..... 237,759

**Port of Boston**

General Cargo, tons ..... 1 million  
 Value of Cargo ..... \$4. billion

**Moran Container Terminal, Charlestown**

Containers Handled ..... 45,671

**Conley Terminal, South Boston**

Containers Handled ..... 30,258  
 Imported Automobiles ..... 48,791

**Harbor Gateway Terminal, South Boston**

Imported Automobiles ..... 43,822  
 Cruise Vessel Visits ..... 23

**Tobin Memorial Bridge**

Total Vehicle Crossings ..... 27.3 million\*

**Boston Fish Pier, South Boston**

Fish Processed, pounds ..... 42 million  
 Fish Landed, pounds ..... 21 million

**Constitution Plaza, Charlestown**

Multi-purpose facility at Hoosac Pier, leased to private development team.

**World Trade Center Boston, South Boston**

International commercial facility at Commonwealth Pier, leased to private developers.

**Boston Shipyard, East Boston**

Acquired by Massport in November 1985, leased to private developers for marine-related uses.

**Revere Sugar, Charlestown**

Acquired by Massport in December 1986.

Massachusetts Port Authority

**Properties and**

**Performance, FY88**

The Massachusetts Port Authority is an independent revenue bonding authority chartered by the Massachusetts State Legislature and supported by revenues from the facilities it owns and operates: Logan International Airport in East Boston; L. G. Hanscom Field in Bedford; Tobin Memorial Bridge; the public marine terminals of the Port of Boston, the Boston Fish Pier; the World Trade Center Boston at Commonwealth Pier; and other Boston waterfront development properties.

\*The figure represents vehicle crossings through March 1988. Due to the Central Artery North Area construction project, and new northbound traffic patterns, total FY88 figures are not available.



**Massport**

Ten Park Plaza  
Boston, MA 02116-3971  
Telephone: (617) 973-5500  
Telex: 94-0365  
Fax: (617) 973-5357

**Massport/Far East**

New Diamond Building  
4-4 Kasumigaseki 1-Chome  
Chiyoda-Ku, Tokyo 100  
Japan  
Telephone: (03) 506-9002  
Telex: 2227310 MASPT J  
Fax: (03) 506-9003

**Massport/Europe**

85-87 Jermyn Street  
St. James  
London SW 1, England  
Telephone: (01) 930-7949  
Telex: (851) 917835  
Fax: (01) 930-0751

**Massport/New York**

Woolworth Building  
233 Broadway, Suite 818  
New York, NY 10007  
Telephone: (212) 608-0775  
Fax: (212) 962-6230



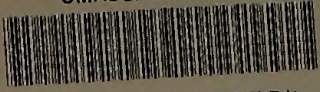
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LOOKING  
BACK  
AND  
PLANNING  
AHEAD

MASSACHUSETTS  
PORT AUTHORITY  
1989  
ANNUAL REPORT



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The Annual Report of the Massachusetts Port Authority for the fiscal year ending June 30, 1989.	



Looking  
Back...  
And  
Planning  
Ahead

It seems that everyone at Massport these days is talking about the future — and that's as it should be. After all, the next ten years will be a crucial period in the planning and rebuilding of our region's transportation system. It's important to realize, however, that one key to that future is the financial stability that enables Massport to undertake such an ambitious agenda. To appreciate that stability, we need to take a moment to remind ourselves of our past.

In the late fifties, the State Legislature created Massport as an independent authority charged with the operation, maintenance, and improvement of the Tabin Bridge, the seaport, and most important, Logan Airport. The Legislature said, in effect, that these vital links in our transportation system were so critical to the well-being of Massachusetts that they needed to be overseen by a single entity which would not only manage their day-to-day operation, but plan for the long term as well. Moreover, this agency would be protected from changes in the economic and political climate.

At that time, Logan Airport was operating consistently in the red; the seaport was steadily deteriorating; only the Tabin Bridge — then nine years old — was in a state of reasonably good health. Today, Massport takes considerable pride in the fact that all three are thriving.

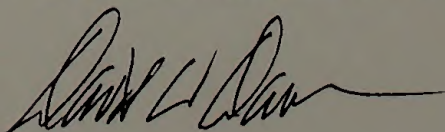
Our pride in how far we've come is substantially tempered, however, with an awareness of how far we have to go. New England will continue to thrive only if people and goods can continue to move in and out of Boston smoothly. We know that demand for our facilities — especially for Logan Airport — is rising at a rapid rate. As the Legislature realized 30 years ago, financial soundness and the ability to plan well ahead are the chief factors in keeping these critical transportation facilities from turning into chokepoints.

Over the past few years, Massport has developed a comprehensive agenda to take the bridge, the seaport, and Logan Airport into the 21st century. These plans will stretch our resources to the limit, but we are well positioned to undertake them. In October 1988, Massport's bond rating

was upgraded to AA. Not only will this rating save us money on future bond issues, it is also a significant endorsement of the way we do business — without spending a single state tax dollar, and with no state backing for our bonds.

At Massport, we have a clear sense of where we want to go, and how we are going to get there. We would like to use this year's Annual Report to give you a preview of our

agenda: each facility has reexamined and redefined its mission; identified the particular challenges it faces; and outlined both the short and long-term plans it has for meeting those challenges. As you will see, we have a lot to do, we are eager to get on with it, and we are fully aware that the well-being of our state and region depends on our success.



David W. Davis  
Executive Director









**Mission:**

TO SERVE THE PEOPLE USING  
**LOGAN AIRPORT**, BY KEEPING THE AIRPORT  
RUNNING SAFELY, SMOOTHLY, AND EFFICIENTLY.

**FACT:** IN FY 89-91, MASSPORT WILL SPEND **\$31.7** MILLION ON SAFETY AND MAINTENANCE PROGRAMS AT LOGAN AIRPORT AND HANSCOM FIELD, AND **\$114.9** MILLION AT BOTH AIRPORTS ON NEW CONSTRUCTION AND IMPROVEMENTS. TOTAL: **\$146.6** MILLION.



Picture Logan Airport: five runways perched on a peninsula in the middle of Boston Harbor. Now picture twenty-four million people converging on Logan each year from throughout New England, to

# LOGAN AIRPORT

fly to points across the globe; people flying in to Logan, fanning out to destinations throughout New England.

Massport's job is to see to it that Logan Airport can handle the growing number of travelers who use it...so that the New England economy continues to grow and prosper.

## The Challenge:

"How do you serve more and more people, when you have nowhere to expand? Simple: you increase efficiency. Whether it's on the roadways or on the runways, that means moving more people in fewer vehicles and larger planes."— Patrick Moscaritolo, director, Logan Airport

The number of people moving through Logan Airport each year is climbing steadily and showing no signs of leveling off.

Massport sees the crowds coming. (Just imagine the day before Thanksgiving at Logan — every day of the year.) Massport's responsibility is to





ensure that each and every traveler can get to the airport, move through the terminals, and get up in the air quickly, conveniently, and safely.

## The Solution:

A New Way of Thinking It no longer makes sense for most people to travel to and from Logan in their own personal ground transportation system — the automobile — anymore than it would make sense for them to fly in and out of Logan in their own personal air transportation system — the private plane.

The old era of one person, one car (or, for that matter one person, one plane) is coming to a close. It simply isn't fair to the millions of people — businesspeople, friends and relatives, students, tourists — who need to use Logan Airport to have it tied up by those who needlessly insist on going solo.

Massport must see to it that everyone who wants to use the airport can use the airport; that the roadways and the runways

remain open to the increasing number of people who need to use them. This means finding ways of getting more people to and from the airport in fewer but larger vehicles, and flying more people in and out of the airport in fewer but larger planes.





# H i g h l

## GETTING TO AND FROM THE AIRPORT: TAKE

**YOUR PICK** In FY89, thousands of travelers discovered a reliable and less stressful way to

get to Logan Airport: they left their cars at home. Although Massport recognizes that many travelers have no choice but to drive to the airport and use its parking facilities, our strategy is to offer as many attractive alternatives to the private automobile as possible.

**Logan Express** Every day in FY89, approximately 900 satisfied passengers left the driving to us, as express buses to Logan Airport left Framingham and Quincy every half-hour during peak periods, and every hour during nonpeak periods. Plans are in the works for adding new sites.

**Airport Water Shuttle** In FY89, more than 200,000 riders discovered that there are never any traffic jams — and the view is spectacular — on the Airport Water Shuttle leaving for Logan and returning to Rowe's Wharf in downtown Boston every fifteen minutes.

**Commercial Vehicle (CV) Lane** While private cars must often wait in line to take the long way to the Sumner Tunnel, commercial vehicles breeze by in the special CV lane that speeds them to the tunnel entrance during peak hours.

**1-800-23-LOGAN** The Logan hot line answered 120,000 calls in FY89 — a 250

percent increase over the previous year. Travelers received up-to-the-minute information about the best alternate means of transportation to and from the airport.

**BEING THERE: TERMINAL HOSPITALITY, BOSTON-STYLE** No one wants to spend any more time than they have to at the airport. Massport doesn't take it personally. Our objective is to make our guests' stay not only as brief, but as pleasant, as possible. That means providing the things passengers want — whether it's good food, timely information, or a place to let the kids unwind.

**[ FACT ]** Activities at Logan Airport generate more than \$3.07 billion for Massachusetts and New England every year, or \$8,410,000 everyday.

**[ FACT ]** For the second year in a row, Logan was singled out as the International Airport of the Year for providing accessible and easy-to-use ground transportation alternatives.



## Vision of the Future: Logan Airport, 2010

September 7, 2010. A typical day at Logan Airport. Over 100,000 passengers fly in and out of Boston. ■ Many people discovered long ago that the quickest way to Logan is public transportation. (However, for those who do drive, parking is available). Instead, they travel to the airport in **express buses** from Framingham, Quincy, and



# ights:

**Food Court** The new Food Court in Terminal E gives passengers what they asked for: the same choice of good food they'd find strolling downtown Boston — Au Bon Pain croissants, Häagen-Dazs cones, a crab salad sandwich — at reasonable prices.

**Concession Monitoring Program** Customer Response Cards in airport concessions ask passengers to give it to us straight: how was the food? were the prices fair? was service friendly? prompt? any suggestions?

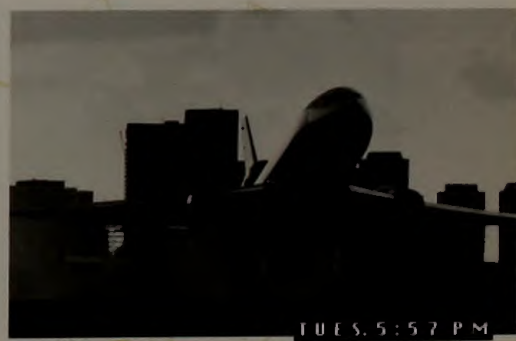
**When Kids Fly** Massport's new brochure tells parents everything they ever wanted to know about flying with kids (from infants to adolescents), but were afraid to ask.

**Kidport in Terminal C** This creative play-space keeps kids amused — and parents relaxed.

**GETTING UP IN THE AIR: MASSPORT SET THE PACE** Just as those traveling to and from Logan in their cars tie up the roadways for the thousands who must use the airport everyday, people flying in small private planes tie up the

**[FACT]** Before PACE, 40 percent of the planes landing at Logan handled only 6 percent of the passengers.

runways for the majority of people using the airport. As part of our commitment to moving passengers through the airport as efficiently as possible, in 1988 Massport instituted PACE — the Program for Airport Capacity Efficiency.



o number of other locations. Those coming from south and west of the city use the **new Third Harbor Tunnel**, bypassing downtown Boston altogether. Others prefer the **T subway system**, which now offers a simplified transfer to the airport. Still others find one of the several **water shuttles** most convenient. The express buses bring passengers directly to the central drop-off point — the **Airport Transportation Center**. There passengers



# Highlights, Continued

PACE restructured the fees aircraft paid for landing at Logan — ending the inefficient subsidy small planes had enjoyed — so that all planes paid their fair share for the use of Logan's scarce resources. Not only were PACE fees more equitable, they encouraged smaller private aircraft to land at less busy airports and commuter airlines to use larger planes on their busier routes, freeing Logan's airfields for the larger planes that move many more people with much greater efficiency.

Although PACE has been suspended by the U.S. Department of Transportation, Massport remains committed to the principle on which it was based: reducing congestion on the runways through better airfield management.

**FY 1989 GOOD NEIGHBOR POLICY:** In Lieu of Tax Payments Massport makes

**[FACT]** In the six months PACE was in effect, Logan's on-time performance jumped from #21 to #2 among the nation's 27 busiest airports.

voluntary in lieu of tax payments to the communities most affected by its operations. The payments, based upon the number of operations at Logan Airport during the previous fiscal year, are given with no strings attached. The FY89 payments, made to Boston, Chelsea, and Winthrop, amounted to \$6.4 million,

bringing the total since 1979 to more than \$57 million.

**KEEPING THE NOISE DOWN** Massport is committed to finding innovative and aggressive ways to keep airport noise down, in order to make life easier for all its neighbors.

**Quieter planes** The noise abatement rules adopted by Massport in 1986 are the toughest in the nation. They put a cap on Logan noise at the 1984 level, and require each airline's fleet to comply with rigorous standards. The

noisiest class of aircraft has now been eliminated at Logan altogether, while the increase in the quietest class of aircraft — accounting for 37.5 percent of the fleet at Logan — exceeds the national average.

**Soundproofing** Under Massport's comprehensive soundproofing program, a total of twenty-four schools have been soundproofed; in addition, 210 homes have already been soundproofed, with work under way on another 335.

**Noise Monitoring** A sophisticated Airport Noise Monitoring System with 36 remote microphones, is currently being installed in communities around Logan and Hanscom. The system will be capable of discriminating among different types of airport/aircraft noise, thus making possible detailed recording and analysis of noise levels at the airport.



can check their luggage and receive their boarding passes, before proceeding to their gate via a People Mover system.

- Since most private jets have discovered the excellent service and convenience of Hanscom Field, and since some regional airports have expanded, Logan's runways are clear for large aircraft carrying large numbers of passengers.
- The people of East Boston don't notice Logan as much as they used to. Traffic from the west and south proceeds



## Mission:

To serve the needs of general aviation — including recreational pilots, flight schools, commuter airlines, and the growing number of corporate fliers who are discovering **HANSCOM FIELD'S** outstanding service and convenience.

**Investing in the Future** More than \$1 million was invested in airfield and terminal improvements at Hanscom in FY89.

**Monitoring Noise** A noise monitoring system will soon be installed to collect detailed information about noise produced at Hanscom and its effect on the surrounding communities.

**Safety First** Hanscom entered into a one year renewable crash and fire protection agree-

ment with its next-door neighbor, the U.S. Air Force.

**Community Relations** Hanscom staff work together with the towns of Concord, Lexington, Lincoln, and Bedford on such issues as noise abatement and area ground traffic to make sure Hanscom is being a sensitive and responsive neighbor.



through the Third Harbor Tunnel directly to the airport. And traffic using the Collohan/Sumner Tunnel now stays on the major highways, leaving the streets of East Boston for the people of East Boston. Moreover, the airport isn't as noisy as it used to be. Massport's soundproofing program protects those most affected by Logan; and the old, noisier jets have been phased out, replaced by a new generation of quieter aircraft.







**Mission:**

TO PROVIDE A FIRST-CLASS,  
COST-EFFECTIVE **SEAPORT** FOR GOODS COM-  
ING INTO AND OUT OF NEW ENGLAND.

**FACT:** MASSPORT'S  
CAPITAL BUDGET MENU (FY  
89-91) INCLUDES **\$17.6**  
MILLION FOR SAFETY AND  
MAINTENANCE PROCEDURES  
AT ITS MARITIME FACILITIES,  
AND **\$16.2** MILLION FOR  
NEW CONSTRUCTION AND  
IMPROVEMENTS. TOTAL:  
**\$33.8** MILLION.



In FY 1989, Boston sent a message to the global maritime community: The Port of Boston is a top-notch international port. A thriving seaport is good for New England. It puts Boston, and the entire New

# THE PORT OF BOSTON

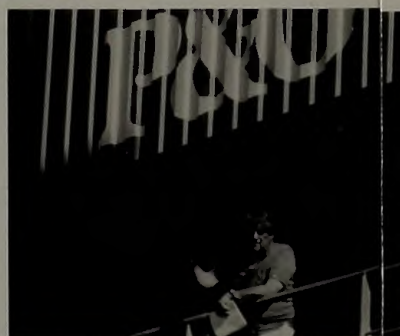
England region, on the map of international trade. Not only do goods flow into New England, but locally manufactured goods gain access to markets around the world.

## The Challenge:

**"For New England to make it as a player in international trade, we have to be able to move cargo at a competitive cost. Right now, controlling costs is the motivating force behind everything we do." —Anne Aylward, maritime director**

There's a simple fact in international trade: in order to be the port of choice, you have to be able to move goods faster, better, and less expensively than anyone else.

The Port of Boston enjoys a well-deserved reputation for first-class service. The biggest chal-





lenge facing the port today is expanding its reputation for providing the best value as well — the highest quality at the lowest possible cost.

## **The Solution:**

### **“Intermodalism” — The Wave of the Future**

“Intermodalism” is a fancy word for a simple idea — a new way of thinking about how goods are transported. As more and more goods are being shipped in standard size metal containers, transporting goods has become a matter of choosing which combination of “modes” — ship, rail, truck, and air — will be used to ensure the most reliable, rapid and least expensive service.

That means seeing the port not just as a stretch of land where ships load and unload, but as one link in an entire system for transporting goods. When goods come into the Port of Boston, Mass-  
port must guarantee that goods not only get the best possible service in the shipping terminal, but that they are transferred via our highways and rail lines as efficiently as possible.





## Boston Connects with the Midwest

The port has reestablished itself as a viable rail gateway to markets in the midwest for con-

**[FACT]** The Port of Boston ranks 24th among the nation's 188 deep water ports in terms of economic impact, value of cargo, and volume of cargo.

tainer traffic. Working with the railroads and third party carriers, Boston has managed to secure favorable rates and — for the first time in twenty years — Chicago-bound goods have begun to move through the Port of Boston. The introduction of double stock train service to Worcester in January,

1989, further enhanced Boston's competitive position among east coast ports for these major midwest markets.

**Toyota Makes a Ten Year Commitment to the Port** In a clear vote of confidence in the Port of Boston, Toyota extended its commitment to import into Boston for ten more years. With plans to import more than 50 thousand cars a year, and invest \$2 million in new facilities, Toyota is here to stay.

**Another Million-Ton Year** For the fifth year in a row, the container tonnage coming through the Port of Boston has exceeded one million tons.

**Teaming Up with Labor** Contract negotiations provide an important opportunity to work with labor to keep port costs down. In FY89 a master contract extension sharply cut shipping costs for container imports — a savings of about \$40 per container.

**[FACT]** General cargo is forecast to grow four percent annually through 1995.



## Vision of the future: The Port of Boston, 2010

The South Boston Seaport Access Road allows trucks to drive directly to and from Conley Terminal on special lanes dedicated to seaport traffic, eliminating truck traffic from local streets. Container terminal facilities, Conley in South Boston and Moron in Charlestown, operate productively at competitive rates, unloading cargo destined for New



# ights:

## Atlantic Class Service: A Strong Start

Beginning in the spring of 1988, Atlantic Class vessels — the largest container ships in the world — began weekly direct service from northern Europe to Boston. Unloading first in Boston, then calling on New York a day or two later, Atlantic Class service signals to the inter-

**[FACT]**  
**The Port of Boston generates \$208 million in gross revenue for New England; \$124 million in direct port business with \$84 million in ancillary activities.**

national maritime community that Boston is an important port of the international trade pattern.

## Black Falcon Takes Off

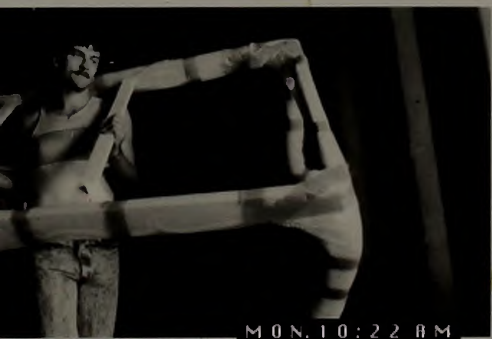
Last year, 19 ships carrying 16,440 tourists called at the Black Falcon Cruise Terminal in South Boston.

## A New Lease for Revere Sugar

A section of the Mossport-owned Revere Sugar Refinery in Charlestown was leased to the Mass. Water Resources Authority (MWRA) as a ferry site to barge materials to Deer Island during the construction of their Sewer Treatment Facility.

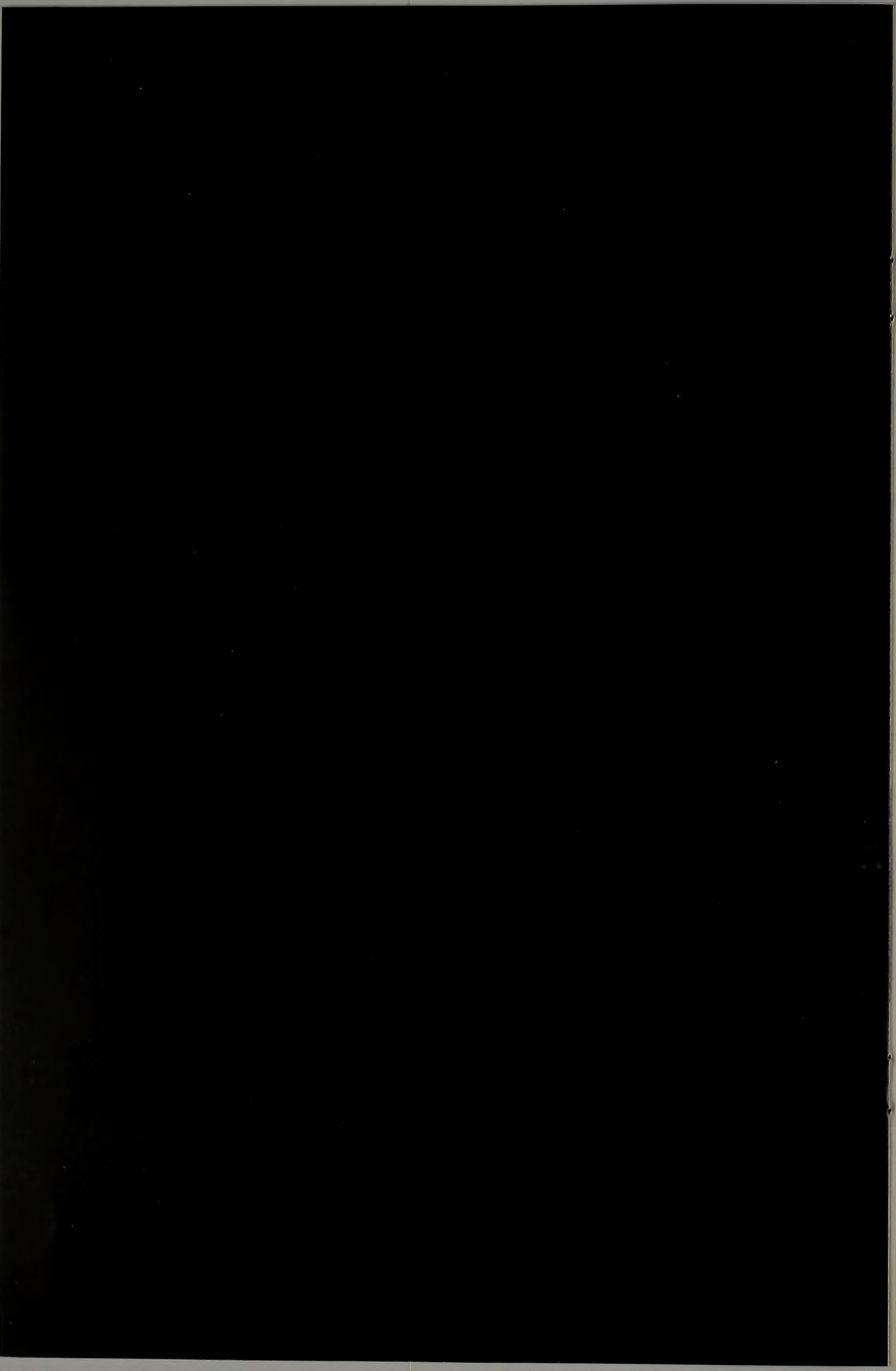
## Army Base Purchase

In August, 1988, Mossport acquired the former Boston Army Base in South Boston for \$3.4 million. The 35-acre site includes warehouse space, waterfront small industry, and the Black Falcon Cruise Terminal.



England and the midwest and loading export cargo bound for Europe's newly consolidated market. Import goods are transported on dedicated rail and truck lines to their ultimate destination. The port is an efficient, low cost operation — meeting the needs of the New England economy.







**Mission:**

TO GUARANTEE THAT, EVERY DAY,  
VEHICLE TRAFFIC FLOWS OVER THE **TOBIN**  
**BRIDGE** QUICKLY AND SAFELY.

**FACT:** THE TOBIN  
BRIDGE'S CAPITAL BUDGET  
AGENDA FOR FY 89-91  
INCLUDES **\$13.1** MILLION  
FOR MAINTENANCE AND  
SAFETY PROJECTS, AND  
**\$12.8** MILLION FOR NEW  
CONSTRUCTION AND  
IMPROVEMENTS. TOTAL:  
**\$25.9** MILLION.



The Tobin Bridge is a vital link in New England's transportation system. With more than 31 million vehicles crossing over it every year, it is the largest bridge in New England, and the seventh busiest in the

# TOBIN

nation. As owner and operator of the Tobin Bridge, Massport has a dual respon-

# BRIDGE

sibility: both making sure that it performs smoothly day in and day out; and planning and implementing the long-term maintenance of its two-and-a-quarter mile, double-deck span.

## The Challenge:

"The Tobin Bridge doesn't stand alone. It is an integral part of the regional highway infrastructure that is now undergoing a radical transformation. Therefore, we're doing our best to





coordinate our maintenance projects with others to ease the burden for commuters." —Joe Greene, director of the Tobin Bridge

## The Solution:

Cooperation & Coordination Today, it is not enough for Massport to oversee the daily operation and long-term maintenance of the Tobin Bridge. The bridge is part of a larger picture — a picture that has included, over the past few years, the Central Artery North Area Project (CANA); and that will include, over the next decade, the new Central Artery. And the key to making it all work is cooperation—an alliance of transportation agencies, communities, and government working toward a common goal.





# H i g h l

**All Decked Out** In FY89, Massport undertook the redecking of a section of the upper level of the bridge. This two and a half million dollar phase of the deck rehabilitation program

**[ F A C T ]**  
**In FY89**  
**17 different projects**  
**were in design or construction**  
**phases at the Tobin,**  
**totaling**  
**\$7,695,289.**

is scheduled to be completed in the coming year. Phase two, at a cost of \$5.5 million, will follow in FY90.

**High Pressure Job** The \$1.8 million stand-pipe project, providing water pressure for fire fighting on the bridge, is now 50 percent complete.

**Support System** Major repairs are being made to the concrete piers supporting the bridge. Part of a \$1.9 million structural rehabilitation program, the repairs are due to be completed in the upcoming year.



Rutherford Ave

## Vision of the Future: The Tobin Memorial Bridge, 2010

The successful completion of the CANA Project returned valuable land to Charlestown's City Square for open space and new development with a minimum of disruption, thanks to the high level of coordination and cooperation among Massport, the Massachusetts Department of Public Works, and the City of Boston. The new City Square



**[ FACT ]**  
Similar size  
bridges in  
the North-  
east cost  
commuters  
signifi-  
cantly more  
per round-  
trip. The  
Tobin: \$.50;  
George  
Washington  
Bridge, NY:  
\$3.00.

**Keeping Watch** The bridge is now equipped with a sophisticated traffic monitoring system of video cameras, keeping a close eye on the entire expanse for accidents and breakdowns. Because the bridge has no breakdown lane, a quick response to disabled vehicles is of critical importance. Therefore, the bridge has its own 24-hour breakdown crew.

**A Bridge to the Community** As part of its commitment to being a good neighbor, since 1977, Mossport has been investigating and monitoring lead levels in soil adjacent to the

bridge in Chelsea and Charlestown where high lead levels have been found. In 1988, Mossport completed the deleading of soil in Chelsea on 51 parcels of private property, one junior high school, and one day-care center. Next year, the program will extend to Charlestown.



tunnel smoothly funnels southbound Tobin traffic beneath City Square and onto the Central Artery. The bridge, just having celebrated its sixtieth anniversary, is in its prime. Equipped with the most advanced traffic monitoring system, consistently well-maintained over the years, and with a superior record of safety and reliability, the Tobin Memorial Bridge sets the standard for the nation's mega-bridges.







**Mission:**

TO DEVELOP MASSPORT'S  
**WATERFRONT PROPERTIES** WITH TWO  
OBJECTIVES: PRESERVING BOSTON'S WORKING  
WATERFRONT AND GENERATING REVENUE.

**FACT:** MASSPORT'S  
REAL ESTATE AND DEVELOP-  
MENT PROPERTIES REQUIRE  
**\$6** MILLION FOR MAINTENANCE AND SAFETY PROJECTS IN FY 89-91, AND  
NEW CONSTRUCTION AND IMPROVEMENTS WILL ADD  
**\$12.7** MILLION TO MASSPORT'S CAPITAL BUDGET.  
TOTAL: **\$18.7** MILLION.



Today, Boston's waterfront is thriving — with a mixture of residential, commercial, and industrial activities that characterize the great port cities of the world. The World Trade Center Boston and the Fish

# REAL ESTATE AND DEVE

Pier in South Boston,  
Constitution Plaza in  
Charlestown, and

the Boston Marine Works in East Boston are four examples of how Massport is fulfilling its mission on the waterfront. By recycling these underused piers, redevelopment has provided commerce, employment, recreation, and harbor access for the local communities—while producing revenues for Massport to invest in other seaport activities.

## The Challenge:

"As the largest landowner on Boston's waterfront, Massport has a responsibility to encourage private investment for reuse of properties in a way that creates new jobs, supports the construction of the Third Harbor Tunnel, and promotes tradi-





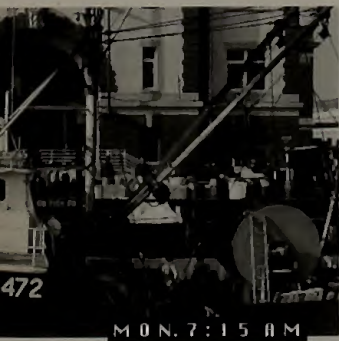
tional waterfront industry." —Elliot Friedman, director,  
property management/real estate development

## The Solution:

Mixed use developments work Six years ago, Hoosac Pier in Charlestown cost Massport more than one million dollars per year to maintain as an obsolete and unused warehouse. Private investment turned it

into Constitution Plaza, an office, restaurant, and marina complex which adds

half a million annually to Massport's revenue stream. The marina and walkway provided Charlestown residents harbor access for the first time in many years. Similarly, Massport's successful renovations at the Fish Pier and redevelopment of Commonwealth Pier into the World Trade Center Boston has spawned many other private investments in South Boston.





**[FACT]**  
Nearly  
35,000  
square  
feet of Fish  
Pier office  
space is  
now leased  
as a result  
of strong  
marketing  
efforts.  
Rental  
revenue  
helps  
subsidize  
fish pro-  
cessing op-  
erations.

**Catch of the Day** Baston's Fish Pier has been completely revitalized with the completion, in 1988, of the \$2.5 million resurfacing of the Fish Pier apron. In FY89, the Fish Pier generated over \$2 million in revenues for Massport.

**100% Occupancy** The World Trade Center Baston (WTCB) hit full occupancy in 1988, generating for Massport upwards of \$1.6 million. Massport's Trade Development Unit (TDU), operating out of the WTC, assisted over 200 New England businesses in international

trade efforts. Their efforts have contributed to a 14.3 percent increase in the state's maritime exports, and a 16.6 percent increase in its air cargo exports.

**Repairs Done on the Premises** At a time when repair facilities are in drastic short supply nationally, Baston Harbar has its own successful local ship repair facility, the Baston Marine Works in East Baston, a partnership between Massport and Coshmon Marine Enterprises. Vessels ranging from fishing boats to Coast Guard ships have been put in shipshape — without having to leave the home port. Having completed its first full year of operations, Baston Marine Works is thriving, employing 100 workers and serving the needs of the local maritime community, while providing a financial return to Massport.



### **Vision of the Future: Boston Waterfront, 2010**

Massport's Real Estate and Development properties have had a strong influence on the face of Baston Harbar. As various as the properties are, they have been developed according to consistent objectives: generating jobs, providing space to protect small waterfront industries, exhibiting high quality design, and being sensitive to the



# ights:

**Lobsterfest** Mossport continues to work with the state to develop Piers 4 and 5 in East Boston into a centralized lobster terminal with docking and storage adjacent to a new park for neighborhood residents. Already, Mossport has contributed \$5 million to the state to help pay for the park.

**Superior Management** Mossport received high marks from the state's Division of Capital Planning and Operations (DCPO) for its management of the Transportation Building. Calling the Transportation Building "a model in design, program, and management" the DCPO stated that Mossport had found a variety of creative ways to keep costs down, resulting in

expenses 11 percent under budget, with revenues exceeding budget, at year-end.

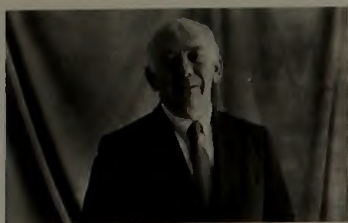
**Make Way for the Tunnel** FYB9 was a year of major planning for the future: the new Third Harbor Tunnel will begin in the Commonwealth Flats area, and emerge at Logan Airport — Mossport property on both ends. Careful planning has been underway both to determine the optimal configuration of roadways and the Seaport Access Road, and to minimize the impact on the area during construction.

**[FACT]**  
The World Trade Center Boston, home to 48 businesses, employs approximately 2000 people.



communities of which they are a part by creating harbor access. The waterfront district in South Boston is a prime example: once mostly unused, the area was developed, shortly after the construction of the Third Harbor Tunnel and Seaport Access Road, into a bustling office, hotel, retail and fishing industry district. And World Trade Center Phase 1, one of the "pioneers" in the redevelopment process, now shores the skyline with World Trade Centers 2 and 3.





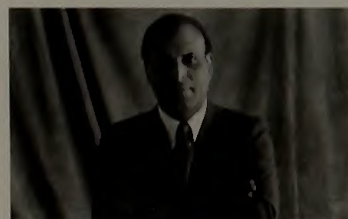
RICHARD A. GIESSER, chairman of the board, is a management consultant and serves on several corporate and nonprofit boards of directors. Term expires in 1995.



JOHN A. VITAGLIANO, vice chairman, is tunnel superintendent for the Massachusetts Turnpike Authority. Term expires in 1992.



MIGUEL A. SATUT is president of Associated Grantmakers of Massachusetts, a Boston-based nonprofit organization. Term expires in 1990.



CHARLES M. RASO is the business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires in 1993.

MICHAEL S. DUKAKIS, governor of the Commonwealth of Massachusetts



JUAN J. EVERETEZE, outgoing member, is president of Spectrum Airlines, Inc., a New Bedford, Massachusetts corporation. Term expired in 1989.



PAUL F. NACE, JR. is president of Paul Nace and Associates, a real estate development company. Term expires in 1991.



JACQUELYN R. SMITH is the financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires in 1994.

FREDERICK P. SALVUCCI, secretary, Executive Office of Transportation and Construction

# Massport Board Members

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.



## FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

Massachusetts Port Authority  
Boston, Massachusetts

We have audited the accompanying balance sheets of the Massachusetts Port Authority (The Authority) as of June 30, 1989 and 1988, and the related statements of income and changes in accumulated fund equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 1989 and 1988, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

*Coopers & Lybrand*

Boston, Massachusetts  
September 1, 1989



## BALANCE SHEETS

June 30, 1989 and 1988

	1989	1988
	(in thousands)	
<b>Assets</b>		
Cash (See Note C for restrictions as to use) .....	\$ 2,068	\$ 1,323
Investments (Note A; see Note C for restrictions as to use) .....	256,672	151,896
Accounts receivable, less allowance for doubtful accounts of \$815,000 in 1989 and \$855,000 in 1988 .....	15,787	13,696
Prepayments and other assets (Notes A and G) .....	24,276	19,705
	<u>298,803</u>	<u>186,620</u>
Investments in facilities (Notes A and D):		
Facilities completed:		
Airports .....	589,777	568,234
Bridge .....	70,550	67,226
Port .....	238,386	209,575
	<u>898,713</u>	<u>845,035</u>
Less accumulated depreciation and amortization .....	(357,093)	(327,636)
	<u>541,620</u>	<u>517,399</u>
Construction in progress .....	39,159	42,017
Net investment in facilities .....	<u>580,779</u>	<u>559,416</u>
Total Assets .....	<u>\$879,582</u>	<u>\$746,036</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Note G) .....	\$25,991	\$27,126
Accrued pension cost (Note F) .....	4,614	4,993
Accrued interest payable .....	16,183	10,891
Funded debt (Note E) .....	385,460	288,815
Total Liabilities .....	<u>432,248</u>	<u>331,825</u>
Deferred income .....	1,984	1,807
Contingent liabilities and commitments (Notes H, J and K)		
<b>Fund Equity (Notes A, B and C)</b>		
Accumulated fund equity .....	382,722	353,504
Contributed capital, grants-in-aid of construction .....	62,628	58,900
Total Fund Equity .....	<u>445,350</u>	<u>412,404</u>
Total Liabilities and Fund Equity .....	<u>\$879,582</u>	<u>\$746,036</u>

The accompanying notes are an integral part of the financial statements.



## STATEMENTS OF INCOME AND CHANGES IN ACCUMULATED FUND EQUITY

for the years ended June 30, 1989 and 1988

	1989	1988
	(in thousands)	
<b>Revenues (Note B):</b>		
Tolls, fees and sales of services .....	\$100,806	\$101,794
Rentals (Note K) .....	41,160	38,540
Concessions (Note K) .....	24,135	21,882
Income on investments (Notes A and B) .....	14,338	9,704
Other .....	4,764	4,458
<b>Total Revenues .....</b>	<b>185,203</b>	<b>176,378</b>
<b>Expenses (Note B):</b>		
Operations and maintenance .....	68,514	68,768
Administration .....	24,658	23,810
Insurance .....	2,896	4,064
Pension costs (Note F) .....	2,005	1,751
Interest (Notes A and H) .....	22,949	21,328
In lieu of taxes (Note I) .....	6,440	6,300
Depreciation and amortization, including \$3,257,000 in 1989 and \$3,057,000 in 1988 on assets acquired with contributed capital, grants-in-aid of construction .....	31,780	31,159
<b>Total Expenses .....</b>	<b>159,242</b>	<b>157,180</b>
<b>Net Income .....</b>	<b>25,961</b>	<b>19,198</b>
Add credit arising from transfer of depreciation to contributed capital .....	3,257	3,057
Accumulated fund equity, at beginning of year .....	353,504	331,249
<b>Accumulated Fund Equity, at end of year .....</b>	<b>\$382,722</b>	<b>\$353,504</b>

The accompanying notes are an integral part of the financial statements.



## STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended June 30, 1989 and 1988

	1989	1988
	(in thousands)	
<b>Funds Provided From:</b>		
Net income .....	\$ 25,961	\$ 19,198
Adjustments for noncash transactions:		
Depreciation and amortization .....	31,780	31,159
Funds provided from operations .....	57,741	50,357
Contributed capital, grants-in-aid of construction .....	6,985	5,281
Increase in deferred income and liabilities other than funded debt .....	3,955	3,009
Issuance of funded debt .....	101,100	0
Total Funds Provided .....	<u>169,781</u>	<u>58,647</u>
<b>Funds Applied To:</b>		
Cost of facilities .....	53,143	46,650
Retirement of funded debt (Note E) .....	4,455	4,195
Increase in other assets .....	6,662	391
Total Funds Applied .....	<u>64,260</u>	<u>51,236</u>
<b>Net Increase In Cash And Investments .....</b>	<u>\$105,521</u>	<u>\$ 7,411</u>

The accompanying notes are an integral part of the financial statements.



## NOTES TO FINANCIAL STATEMENTS

The Massachusetts Port Authority (The Authority) is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### A. Summary of Significant Accounting Policies:

Investments in U.S. Government obligations and agencies of the U.S. Government are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost plus accrued interest.

Facilities are carried at cost, and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed capital as earned and amortized on the straight-line method over the service lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$3,639,000 in 1989 and \$335,000 in 1988, reduced by interest income of \$2,856,000 in 1989 and \$47,000 in 1988, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement (See Note 8.)

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the Payment in Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year.



## NOTES TO FINANCIAL STATEMENTS

Continued

## 8. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:

Presented below are the 1989 and 1988 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to net income as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

	1989						1988
	(Dollar Amounts in Thousands)						
	Bridge	Airport Properties	Port Properties		Facilities	Investment	Combined
			Maritime	Development*	Management	Income	Total
<b>Revenues:</b>							
1978 Pledged Revenues	\$6,161	\$ 67,943	\$	\$	\$	\$13,548	\$ 87,652
Other		71,997	19,080	4,540	1,058	790	92,969
	<u>\$6,161</u>	<u>\$139,940</u>	<u>\$19,080</u>	<u>\$4,540</u>	<u>\$1,058</u>	<u>\$14,338</u>	<u>\$185,117</u>
							<u>\$176,429</u>
<b>Operating Expenses:</b>							
Operations and Maintenance	\$2,639	\$ 48,205	\$15,204	\$2,079	\$ 387		\$68,514
Administration	1,480	16,412	4,587	1,608	571		24,658
Insurance	334	2,201	723	255	62		3,575
Pension (Note F)	170	1,686	356	122	50		2,384
	<u>\$4,623</u>	<u>\$ 68,504</u>	<u>\$20,870</u>	<u>\$4,064</u>	<u>\$1,070</u>		<u>\$ 99,131</u>
							<u>\$100,820</u>
<b>Excess of Revenues Over Operating Expenses Under Trust Agreement</b>							\$85,986
							\$ 75,609
Add: Self Insurance Cost (Expensed under Trust Agreement; not an expense under GAAP.)							679
							2,070
Add: Pension Adjustment (Pension cost is greater under Trust Agreement than under GAAP.)							379
							357
Add: Difference on gain/loss on sale of equipment (Equipment is depreciated under GAAP but not under Trust Agreement.)							86
							(51)
Less: Payments in lieu of taxes (Not an operating expense under Trust Agreement; expensed under GAAP.)							(6,440)
							(6,300)
Less: Interest on funded debt, net of interest capitalized on projects under construction (Not an operating expense under Trust Agreement; expensed under GAAP.)							(22,949)
							(21,328)
Less: Depreciation and amortization (Not an operating expense under Trust Agreement; expensed under GAAP.)							(31,780)
							(31,159)
<b>Net Income</b>							<u>\$25,961</u>
							<u>\$19,198</u>

\*Development includes activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.



## NOTES TO FINANCIAL STATEMENTS

Continued

## C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1989, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

Use defined for specific purposes:	Cash	Investments	Total
	(in thousands)		
1978 Debt Service Fund	\$ 820	\$ 31,957	\$ 32,777
Operating Fund, including appropriations for self-insurance	477	15,175	15,652
Maintenance Reserve Fund	0	53,451	53,451
Payment In Lieu of Taxes Fund	12	3,350	3,362
Improvement and Extension Fund	722	81,751	82,473
1985 Interest & Sinking Fund	7	12,414	12,421
1988 Interest & Sinking Fund	4	11,383	11,387
1988 Construction Fund	26	47,191	47,217
	<u>\$2,068</u>	<u>\$256,672</u>	<u>\$258,740</u>

The following summarizes the Authority's investments by type of investment held at June 30, 1989.

	Carrying Amount	Market Value
	(in thousands)	
Certificate of Deposit	\$ 100	\$ 100
Repurchase Agreements	12,528	12,528
U.S. Government Securities and Agencies:		
Treasury Notes	70,084	70,359
Treasury Bonds	31,487	31,471
Federal Farm Credit (FFC)	30,383	30,327
Federal National Mortgage Association (FNMA)	18,407	18,345
Federal Home Loan Bank (FHLB)	90,891	92,212
Federal Home Loan Mortgage Corp (FHLMC)	2,792	2,739
Total U.S. Government Securities and Agencies	<u>244,044</u>	<u>245,453</u>
Total Investments	<u>\$256,672</u>	<u>\$258,081</u>

The Authority is authorized by the 1978 Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies, and instrumentalities, in bonds or notes of public agencies or municipalities, in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's Trustee and Custodian.

U.S. Government securities other than FFC, FNMA, FHLB and FHLMC securities are guaranteed by the U.S. Government. The Certificate of Deposit is fully guaranteed by the Federal Depositary Insurance Corporation. Repurchase agreements are collateralized by obligations of the Federal government or agencies of the Federal government. It is required that securities underlying repurchase agreements must have a market value at least equal to the cost of the agreement plus accrued interest.

## D. Investments in Facilities and Depreciation:

	1989	1988
	(in thousands)	
<b>Facilities completed:</b>		
Land and land improvements	\$104,710	\$ 99,710
Bridge and bridge improvements	69,368	66,092
Buildings	474,599	455,572
Runways and other paving	210,933	189,438
Machinery and equipment	39,103	34,223
Accumulated depreciation	<u>(357,093)</u>	<u>(327,636)</u>
	541,620	517,399
Construction in progress	<u>39,159</u>	<u>42,017</u>
Net investment in facilities	<u>\$580,779</u>	<u>\$559,416</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities—buildings, runways and other paving	10 and 25 years
Port facilities—buildings and piers	25 years
Machinery and equipment	10 years



## NOTES TO FINANCIAL STATEMENTS

Continued

## E. Funded Debt:

Funded debt at June 30, 1989, is comprised of:

	Revenue Refunding Bonds Series 197B		Revenue Refunding Bonds Series 1985-A & B		Revenue Bonds Series 1988-A		
	(Dollar amounts in thousands)						
Maturity on July 1	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
Serial Bonds:							
1989	6.2%	\$ 3,955	6.75%	\$ 780	—	—	\$ 4,735
1990	6.3	4,000	7.00	830	6.00%	\$ 1,135	5,965
1991	6.4	4,265	7.25	885	6.20	1,205	6,355
1992	6.5	4,545	7.50	955	6.35	1,280	6,780
1993	6.6	4,840	7.75	1,025	6.50	1,360	7,225
1994	6.7	5,165	8.00	1,105	6.60	1,445	7,715
1995	6.8	5,520	8.25	1,190	6.70	1,545	8,255
1996	6.8	5,905	8.50	1,290	6.80	1,650	8,845
1997	6.9	6,305	8.70	1,405	6.90	1,760	9,470
1998	—	—	8.80	1,520	7.00	1,880	3,400
1999	—	—	8.90	1,655	7.10	2,010	3,665
2000	—	—	9.00	1,805	7.20	2,155	3,960
2001	—	—	—	—	7.30	2,310	2,310
2002	—	—	—	—	7.40	2,480	2,480
2003	—	—	—	—	7.50	2,665	2,665
Total Serial Bonds:		44,500		14,445		24,880	83,825
Term Bonds:							
1998-2012	7.125	166,385	—	—	—	—	166,385
2001-2005	—	—	9.25	9,500	—	—	9,500
2004-2015	—	—	9.375	49,530	—	—	49,530
2004-2008	—	—	—	—	7.75	16,705	16,705
2009-2018	—	—	—	—	7.75	59,515	59,515
Total Funded Debt:		\$210,885		\$73,475		\$101,100	\$385,460

See Note 8 for revenues pledged as security for the 1978 Bonds and available for the 1985 and 1988 Bonds.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 1989, the following bonds outstanding are considered defeased:

1964	Series	\$ 38,010,000
1969	Series	50,920,000
1971	Series	63,695,000
1973	Series	89,950,000
1982	Series	53,405,000
Total Defeased Bonds		<u>\$295,980,000</u>



## NOTES TO FINANCIAL STATEMENTS

Continued

## F. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the "Massachusetts Acts of 1978" and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment, the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation date of January 1, 1988, was \$25,975,000. Total payroll for all Authority employees was \$35,617,000 for the twelve months ended December 31, 1987.

The actuarial cost method utilized to determine contributions to the Plan for the year ended December 31, 1988 and 1987 was the entry age normal-frozen initial liability cost method.

The more significant actuarial assumptions underlying the actuarial computations for the Plan years ended December 31, 1988 and 1987 are as follows:

Assumed rate of return on investments	—8% per annum compounded annually
Nondisabled life mortality basis	—1971 Group Annuity Mortality Table for males and the same table with ages set back six years for females
Employee turnover basis	—Based on actuarial table T-5 from the Pension Actuaries Handbook

Salary escalation	—6% per annum
Retirement	—Age 63 or age as of the valuation date if later
Retirement benefits	—2.30% and 2.35% per year of service in 1988 and 1987, respectively
Post-retirement cost of living increases	—4.50% and 5.50% per annum compounded annually in 1988 and 1987, respectively

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other Public Employee's Retirement Systems Plans. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1988. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 6 percent per year, attributable to inflation and merit increase, and (c) postretirement benefit increases from an assumed cost of living increase of 4.50 percent annually.

At January 1, 1988 the assets in excess of pension benefit obligation was \$3,937,809, determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$15,451,894
Current employees:	
Employee financed	12,661,404
Employer-financed vested	10,821,581
Employer-financed nonvested	11,339,513
Total pension benefit obligation	50,274,392
Net assets available for benefits	54,212,201
Assets in excess of pension benefit obligation	<u>\$ 3,937,809</u>

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. Employer contributions are determined using the entry age normal-frozen initial liability cost method. The Plan also amortizes the unfunded liability in level amounts over a period of 20 years.



## NOTES TO FINANCIAL STATEMENTS

Continued

## F. Pension Costs, continued:

Total contributions to the Plan were \$4,167,438 for the Plan year ended December 31, 1988. This includes employee contributions of \$1,909,438 which are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983 and 8% for employees hired after December 31, 1983 and effective January 1, 1988, and an additional 2% of base pay over \$30,000 for those employees hired after December 31, 1978) and employer contributions of \$2,258,000 which were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed for the Plan's fiscal year beginning January 1, 1988. Employer contributions consisted of: (a) \$833,165, normal cost, (b) \$1,229,919 amortization of the unfunded actuarial accrued liability, and (c) \$194,916 funding for operating costs. These contributions made by the employee and employer during Plan year 1988 represent 7.35% and 8.69% of covered payroll, respectively.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Assets in Excess of Pension Benefit Obligation (1) - (2)	(5) Annual Covered Payroll	(6) Assets in Excess of Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) ÷ (5)
1987	\$47,699,280	\$43,660,788	109.2%	\$4,038,492	\$21,268,000	19.0%
1988	\$4,212,201	\$0,274,392	107.8%	\$3,937,809	\$25,974,904	15.2%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the PERS.

Historical trend information for the Plan years 1979 (year of Plan inception) through 1988 designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in the Plan's separately issued financial statements.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs that were determined as of July 1, 1973, over a 25-year period commencing in 1974. Total pension expense so determined was \$2,005,000 in 1989 and \$1,751,000 in 1988.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was \$495,000 and \$352,000 for the years ended June 30, 1989 and 1988, respectively.

## G. Deferred Compensation:

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority's (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were each \$4,154,000 at June 30, 1989 and \$3,072,000 at June 30, 1988. These amounts are included in the accompanying balance sheet under the captions Prepayments and other assets and Accounts payable and accrued expenses.

\*Pension benefit obligation information for Plan year 1986 is unavailable and, accordingly, only the 1987 and 1988 information is presented here.



## NOTES TO FINANCIAL STATEMENTS

*Continued*

### H. Contingent Liabilities and Commitments:

#### Contractual Obligations for Construction:

Contractual obligations for construction were approximately \$40,537,000 at June 30, 1989.

#### Interest Rate Swap Agreements:

The Authority has entered into interest rate swap agreements to reduce the cost of fixed rate interest expense on its funded debt (See Note E). At June 30, 1989, the Authority had outstanding two interest rate swap agreements with an underwriter having a total notional amount of \$50 million. Under the terms of these agreements, the Authority will receive fixed interest payments of 6.68% beginning in May 1990 through May 1993 and 6.23% from June 1989 through June 1999 on a notional amount of \$20 million and \$30 million, respectively, and pay interest at a rate that varies with the J.J. Kenney index. This index was 6.49% at June 30, 1989. The agreements could be restructured to avoid any adverse risk to the Authority. The Authority does not anticipate any losses over the term of these agreements.

Interest expense was reduced for net differentials related to interest rate swap agreements by \$95,000 for 1989 and \$118,000 for 1988.

### I. In Lieu of Taxes:

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$6,440,000 to these municipalities, of which \$5,397,000 is subject to annual adjustment through 1991 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from 1993 through 1998, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, deposits to the 1985 & 1988 Interest and Sinking Funds and deposits to the Maintenance Reserve Fund.

### J. Litigation:

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc. (World), carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at Logan Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 41 lawsuits have been filed naming or joining the Authority as a direct or third-party defendant. These lawsuits include personal injury actions by passengers and members of the flight crew, an action by Hughes Aircraft Corporation alleging damage to certain flight instruments on board the aircraft at the time of the incident, and third-party complaints and a direct complaint filed by World against both the Authority and the United States of America. The Third-Party Complaint in one of these cases as well as the direct complaint filed by World seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World is obligated to pay to passengers for personal injuries.

On July 21, 1989, the Court entered final judgment as to all claims as follows: for World and against the Authority and the United States of America, jointly and severally, in the amount of \$11,873,000, as to World's claim for hull damage; for World against the Authority in the amount of \$20,874,000 as to World's claim for hull damage and in the amount of \$26,979,000 for prejudgement interest (on the sum of the awards for hull damage, from September 9, 1982 to July 21, 1989, a total of 82.38% prejudgement interest at the statutory rate of 12% per annum); and against the Authority in the amount of \$1,686,000 for its pro rata share based upon the settlement of passenger claims plus prejudgement interest in the amount of \$1,465,000; for the Authority against the United States of America in the amount of \$14,000 for contribution to the settlement of the property damage claims by Hughes Aircraft and in the amount of \$528,000 for contribution to the settlement of certain personal injury claims; and for the Authority against World Airways, Inc. in the amount \$14,000 for contribution to the settlement of the property damage claims by Hughes Aircraft, plus prejudgement interest in the amount of \$13,000. Each part of the judgement against the Authority bears post judgement interest at the rate of 8.16% per annum from July 21, 1989, until paid.

The Authority believes that existing levels of insurance (both primary and excess) are adequate to meet any liability on the part of the Authority resulting from this incident. Accordingly, the Authority does not expect that this matter will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.



## NOTES TO FINANCIAL STATEMENTS

Continued

## J. Litigation, continued:

In April 1986, the Authority's Bridge and Port primary general liability insurer filed a petition of insolvency. Under the terms of its policy with the insurer, the Authority was insured to the extent of \$1 million for each occurrence and \$2 million in the aggregate for personal injuries and property damage. The Massachusetts Insurer's Insolvency Guaranty Fund will provide coverage up to the statutory limit of \$300,000 for each claim that would have been covered by the insurer, if not for the insolvency. The Authority has additional insurance with another insurer which covers such portion of each claim as exceeds \$1 million. This results in a gap in coverage for each such claim of up to \$700,000 for which the Authority may be at risk. Based upon the specific damages alleged by plaintiffs (exclusive of interest that may accrue from the date of filing to the date of final disposition) in civil actions currently in suit, the aggregate potential uninsured liability is approximately \$2,650,000. This amount does not include the Authority's potential uninsured liability in two actions for which alleged damages have not been quantified by the plaintiffs. In the opinion of legal counsel, the Authority's ultimate liability is indeterminable, but the Authority does not expect that these claims will require amounts to be paid, which in the aggregate, will have a material adverse effect on its financial condition.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing all actions and proceedings pending against or involving the Authority, consider the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material.

## K. Leases:

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately \$21,957,000 in 1989 and \$20,000,000 in 1988.

Minimum future rentals, excluding contingent rentals, from noncancelable operating leases as of June 30, 1989 are as follows:

<i>Year Ending</i>	<i>Amount</i>
<i>June 30</i>	<i>(in thousands)</i>
1990	\$ 18,468
1991	17,158
1992	16,662
1993	16,300
1994	15,890
Thereafter	272,894
	<u>\$357,372</u>

## L. Related Party:

In June of 1984 the Authority entered into a lease agreement, which expired in June of 1989 and was renewed through June of 1990, with The Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$1,312,000 in 1989 to the Commonwealth of Massachusetts. The Authority also entered into a contract which expired on June 30, 1989 and was renewed through June 30, 1990, to provide building management services for the State Transportation Building. Consideration for these services was \$268,000 in 1989. The Commonwealth of Massachusetts also reimbursed to the Authority approximately \$789,000 of direct building management expenses incurred by the Authority and approximately \$4,793,000 for building expenses paid by the Authority on behalf of the Commonwealth of Massachusetts.



## PROPERTIES AND PERFORMANCE, FY89

Gross Revenues, Authority-wide	\$185.2 million
Net Income	\$ 25.9 million
<b>Logan International Airport, East Boston</b>	
Total Passengers	22.9 million
Domestic	19.7 million
International	3.2 million
Total Pounds of Cargo and Mail	781.9 million
<b>L.G. Hanscom Field, Bedford</b>	
Total Operations (Takeoffs/Landings)	234,559
<b>Port of Boston</b>	
General Cargo, tons	1.1 million
Value of Cargo	\$4.5 billion
<b>Moron Container Terminal, Charlestown</b>	
Containers handled	44,927
<b>Conley Terminal, South Boston</b>	
Containers handled	36,016
Imported Automobiles	50,257
<b>Harbor Gateway Terminal, South Boston</b>	
Imported Automobiles	37,722
Cruise Passengers	16,440
<b>Tobin Memorial Bridge</b>	
*Total Vehicle Crossings	26.7 million
<b>Boston Fish Pier, South Boston</b>	
Fish Processed, pounds	32 million
Fish Landed, pounds	16 million
<b>Constitution Plaza, Charlestown</b>	
Multi-purpose facility at Hoosac Pier, leased to private development team.	
<b>World Trade Center Boston, South Boston</b>	
International commercial facility at Commonwealth Pier, leased to private developers.	
<b>Boston Shipyard, East Boston</b>	
Acquired by Massport in November 1985, leased to private developers for marine-related uses.	
<b>Revere Sugar, Charlestown</b>	
Acquired by Massport in December 1986.	

\*Estimated Figure

The Massachusetts Port Authority is an independent revenue bonding authority chartered by the Massachusetts State Legislature and supported by revenues from the facilities it owns and operates: Logan International Airport in East Boston; L.G. Hanscom Field in Bedford; Tobin Memorial Bridge; the public marine terminals of the Port of Boston; the Boston Fish Pier; the World Trade Center Boston at Commonwealth Pier; and other Boston waterfront development properties.

## EQUAL OPPORTUNITY FOR ALL

In support of the basic principles of the Massachusetts Executive Orders, and in compliance with state and federal laws on affirmative action, Massport is committed to a program of effective affirmative action through institutionalized procedures that ensure equal opportunity in its personnel practices, daily operations, and business transactions.



**Massport**

Ten Park Plaza  
Boston, MA 02116-3971  
Telephone: (617) 973-5500  
Telex: 94-0365  
Fax: (617) 973-5611

**Massport/Far East**

New Diamond Building  
4-4 Kasumigaseki 1-Chome  
Chiyoda-Ku, Tokyo 100  
Japan  
Telephone: (03) 506-9002  
Telex: 2227310 MASPT J  
Fax: (03) 506-9003

**Massport/Europe**

85-87 Jermyn Street  
St. James  
London SW1, England  
Telephone: (01) 930-7949  
Telex: (851) 917835  
Fax: (01) 930-0751

**Massport/New York**

Woolworth Building  
233 Broadway, Suite 818  
New York, NY 10007  
Telephone: (212) 608-0775  
Fax: (212) 962-6230



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..... MASSPORT

... ANNUAL REPORT

... BY THE NUMBERS

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1990

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MASSPORT'S BOARD AND STAFF ARE PLEASED TO DEDICATE THIS YEAR'S ANNUAL REPORT TO DAVID W. DAVIS. WITH THE EXCEPTION OF A THREE-MONTH PERIOD AT THE END OF 1982 — A PERIOD HE LIKES TO DESCRIBE AS "TIME OFF FOR GOOD BEHAVIOR" — DAVE SERVED AS MASSPORT'S EXECUTIVE DIRECTOR FROM 1975 TO 1990. IN THE COURSE OF THOSE FIFTEEN YEARS, LOGAN AIRPORT'S PASSENGER VOLUME MORE THAN DOUBLED, THE DECAYING BOSTON WATERFRONT EXPERIENCED A WELCOME REBIRTH, AND INTERNATIONAL AIR AND SEA CARGO — ESPECIALLY EXPORT CARGO — GREW SIGNIFICANTLY. MASSPORT WAS A CRUCIAL FORCE IN FOSTERING THIS PERIOD OF REGIONAL GROWTH AND PROSPERITY, EARNING A NATIONAL REPUTATION FOR STRONG CAPITAL AND FISCAL MANAGEMENT, FOR INNOVATIVE PROGRAMMING IN AIRPORT GROUND TRANSPORTATION, PASSENGER SERVICES AND FACILITIES, AND FOR EXCELLENCE IN ENVIRONMENTAL POLICY AND COMMUNITY RELATIONS.

NO ONE DESERVES MORE CREDIT FOR THESE ACHIEVEMENTS THAN DAVE DAVIS, WHO PROVED THAT MASSPORT COULD BE A POWERFUL CATALYST FOR REGIONAL ECONOMIC DEVELOPMENT WITHOUT SACRIFICING ITS ROLE AS A GOOD NEIGHBOR TO THE RESIDENTIAL COMMUNITIES WHICH BORDER ITS FACILITIES. IN HIS TERM AS EXECUTIVE DIRECTOR, DAVE BUILT MASSPORT INTO ONE OF THE MOST DYNAMIC AND SUCCESSFUL PORT AUTHORITIES IN THE NATION. HE HAS EARNED THE AFFECTION AND RESPECT OF ALL WHO HAVE WORKED WITH HIM OVER THE PAST FIFTEEN YEARS — AND HE HAS MADE A MAJOR AND LASTING CONTRIBUTION TO THE DEVELOPMENT OF MASSACHUSETTS AS AN INTERNATIONAL CENTER FOR COMMERCE, TRAVEL, AND TRADE.

1	EXECUTIVE DIRECTOR'S MESSAGE
3	LOGAN INTERNATIONAL AIRPORT
11	HANSCOM FIELD
15	TOBIN MEMORIAL BRIDGE
21	PORT OF BOSTON
31	BOARD MEMBERS
33	FINANCIALS





## Massport by the Numbers.

THE CLIMATE IN WHICH MASSPORT OPERATES IS AS CHANGEABLE AS NEW ENGLAND WEATHER, AND THE PAST YEAR HAS BEEN UNUSUALLY INCLEMENT. REGARDLESS OF THE SHIFTS IN OUR POLITICAL AND ECONOMIC CLIMATE, MASSPORT'S JOB REMAINS THE SAME: TO MANAGE THE FLOW OF PEOPLE AND GOODS COMING INTO AND OUT OF BOSTON BY LAND, SEA, AND AIR. IN SHORT, TO KEEP NEW ENGLAND MOVING. WHEN EVERYTHING AND EVERYONE KEEPS MOVING SAFELY, CONVENIENTLY, AND COST-EFFECTIVELY, WE WILL HAVE DONE HALF OF OUR JOB WELL. WHEN WE CAN ASSURE THAT THEY CONTINUE TO DO SO IN THE DECADES TO COME — BY PLANNING FOR THE FUTURE AND SEEING THOSE PLANS REALIZED — WE HAVE DONE ALL OF OUR JOB WELL.

MASSPORT'S DUAL MISSION CAN ONLY BE ACHIEVED IF WE HAVE THE FINANCIAL RESOURCES NECESSARY FOR MAJOR CAPITAL IMPROVEMENTS TO OUR AIR, SEA, AND BRIDGE FACILITIES — AND IF WE STAND BY A COMMITMENT TO MAKING INVESTMENTS BEFORE A TRANSPORTATION CRISIS OCCURS. RIGHT NOW, MASSPORT HAS THOSE RESOURCES, HAVING EARNED A NATIONAL REPUTATION FOR SOUND FISCAL MANAGEMENT. IN FACT, WE ENJOY THE BEST BOND RATING OF ANY SIMILAR AGENCY IN THE COUNTRY.

IRONICALLY, THE COMMONWEALTH'S BOND RATING IS NOW THE WORST IN THE NATION, AND MASSACHUSETTS RESIDENTS ARE RIGHTLY CONCERNED WHEN THEY SEE THE FISCAL DIFFICULTIES CONFRONTING THE STATE. SOME WONDER WHY MASSPORT'S REVENUES CAN'T BE USED TO HELP GET THE STATE BUDGET BACK IN THE BLACK. THERE IS A SIMPLE ANSWER FOR THAT LEGITIMATE QUESTION: THE COST OF DOING SO WOULD BE DISASTROUS, NOT ONLY FOR US BUT FOR GENERATIONS TO COME.

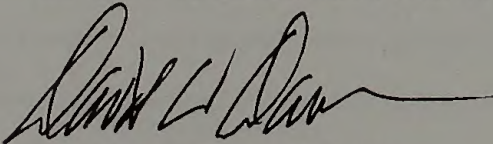
SIPHONING MASSPORT'S REVENUES FOR SHORT-TERM MINOR RELIEF WOULD DIMINISH OUR ABILITY TO RAISE CAPITAL. WITHOUT READY ACCESS TO CAPITAL, MASSPORT'S LONG-TERM INVESTMENT PLANS SIMPLY WILL NOT COME TO FRUITION — AND ULTIMATELY THE ECONOMY WE HELP TO SUPPORT WILL PAY THE PRICE IN TRAVEL AND SHIPPING DELAYS AND LOST BUSINESS OPPORTUNITIES.



THE FACT IS THAT MASSPORT GENERATES HUGE ECONOMIC BENEFITS FOR BOSTON, FOR MASSACHUSETTS, AND FOR THE ENTIRE NEW ENGLAND ECONOMY: NEARLY FIVE BILLION DOLLARS WORTH OF DIRECT AND INDIRECT BENEFITS IN FISCAL YEAR 1990 ALONE. NEW ENGLAND CAN'T AFFORD ANY LESS.

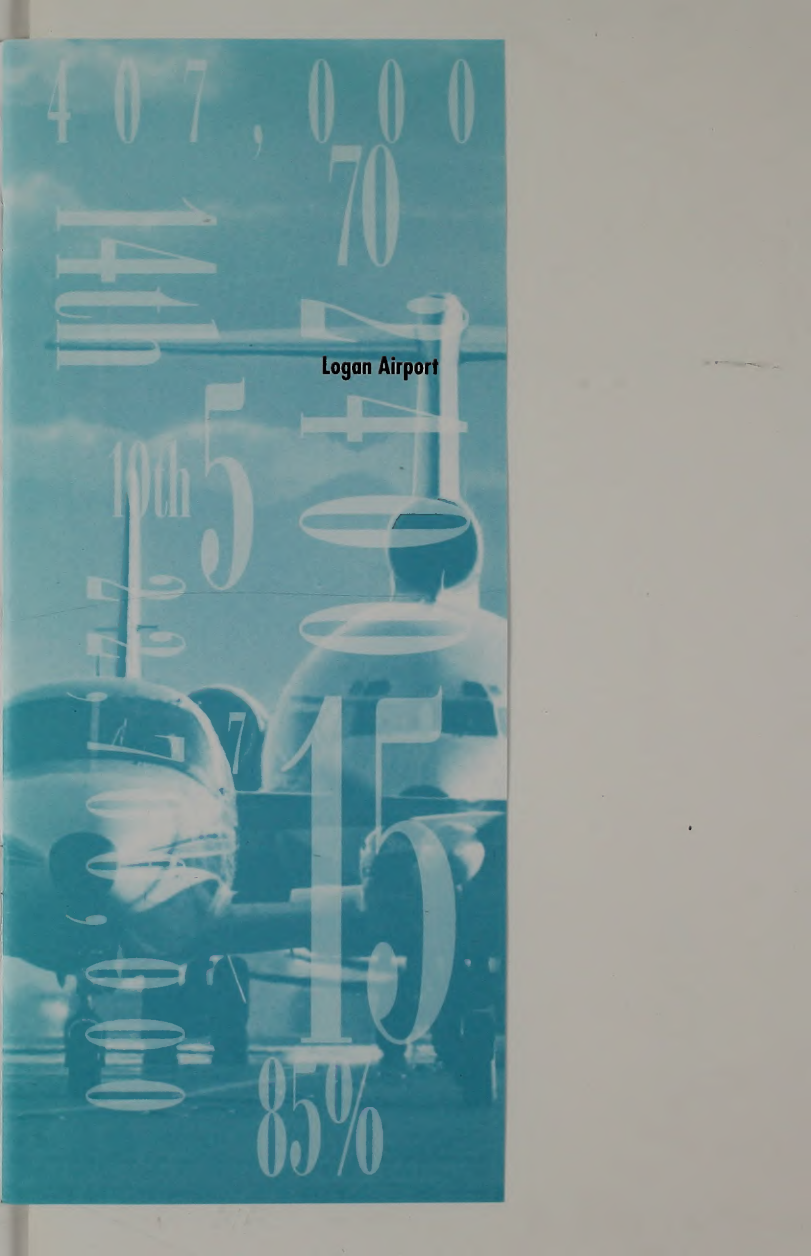
MASSPORT WAS CREATED AS AN INDEPENDENT AUTHORITY BECAUSE, EVEN IN 1956, THE LEGISLATURE RECOGNIZED THAT BASIC TRANSPORTATION INFRASTRUCTURE IS AN ABSOLUTE PREREQUISITE TO A HEALTHY REGIONAL ECONOMY. AS WE SEE IT, OUR JOB IS TO MAKE SURE THAT BOSTON IS A GOOD PLACE TO DO BUSINESS BOTH IN TERMS OF CONVENIENCE AND COST. WHEN EUROPEAN SHIPPERS ARE DECIDING WHICH EAST COAST PORT TO USE, WE WANT THEM TO RECOGNIZE THAT BOSTON IS NOT ONLY THE CLOSEST MAJOR U.S. PORT TO EUROPE—A DAY CLOSER THAN NEW YORK—BUT THAT BOSTON HAS THE TERMINALS THEY NEED AT THE PRICE THEY'RE LOOKING FOR. WHEN FISH PROCESSORS NEED A PLACE TO DO BUSINESS, INCLUDING ACCESS TO PROCESSING FACILITIES, MASSPORT PROVIDES IT. WHEN PEOPLE FLY OUT OF LOGAN, MASSPORT'S JOB IS TO MAKE SURE THEY CAN GET TO THE AIRPORT, CHECK IN, AND BE ON THEIR WAY AS SAFELY, QUICKLY AND CONVENIENTLY AS POSSIBLE.

IN THIS YEAR'S ANNUAL REPORT WE GIVE YOU "MASSPORT BY THE NUMBERS": THE FACTS, PLAIN AND SIMPLE, ABOUT WHAT MASSPORT DOES FOR THE PEOPLE OF NEW ENGLAND NOW, AND THE PLANS WE MUST CARRY OUT IN ORDER TO ASSURE YOUR SAFETY, CONVENIENCE, AND PROSPERITY IN THE FUTURE.

A handwritten signature in black ink, appearing to read "David W. Davis", with a long horizontal flourish extending to the right.

DAVID W. DAVIS, EXECUTIVE DIRECTOR





**Logan Airport**



#### THE NUMBERS

2,400	ACRES
7	MILES OF RUNWAYS
14	MILES OF TAXIWAYS
5	PASSENGER TERMINALS
10 <sup>TH</sup>	BUSIEST AIRPORT IN U.S.
14 <sup>TH</sup>	BUSIEST AIRPORT IN THE WORLD
15	U.S. JET CARRIERS
14	COMMUTER CARRIERS
16	NON-U.S. FLAG CARRIERS
9	ALL-CARGO CARRIERS

#### SCOPE OF OPERATIONS

22.7M	ARRIVING AND DEPARTING PASSENGERS PER YEAR
85%	DOMESTIC PASSENGERS
15%	INTERNATIONAL PASSENGERS
407,000	TAKEOFFS AND LANDINGS PER YEAR
1,115	FLIGHTS PER DAY
70	FLIGHTS PER HOUR
764.0M	POUNDS AIR CARGO AND MAIL SHIPPED

#### JOB

512	MASSPORT EMPLOYEES AT LOGAN
15,238	NON-MASSPORT EMPLOYEES AT LOGAN
\$751M	TOTAL PAYROLL

#### ECONOMIC BENEFITS GENERATED

\$3.4B	TOTAL LOGAN ECONOMIC BENEFIT TO REGIONAL ECONOMY PER YEAR
\$9.3M	ECONOMIC BENEFIT TO REGIONAL ECONOMY PER DAY
\$1.4B	VISITOR EXPENDITURES PER YEAR

#### MASSPORT CAPITAL INVESTMENT IN LOGAN

\$641M	TOTAL MASSPORT INVESTMENT IN LOGAN SINCE 1959
\$59M	FEDERAL GRANTS
\$56M	MASSPORT INVESTMENT IN LOGAN IN FY90
\$1.5B	LOGAN TEN-YEAR CAPITAL INVESTMENT AGENDA



## What the Numbers Mean.

THE NUMBERS MAKE CLEAR THAT LOGAN AIRPORT IS A MAJOR CONTRIBUTOR TO THE NEW ENGLAND ECONOMY. THE TWENTY-THREE MILLION PEOPLE WHO FLEW IN AND OUT OF LOGAN PUMPED A TOTAL OF \$3.4 BILLION INTO OUR REGIONAL ECONOMY— FOR AN AVERAGE OF \$9.3 MILLION EVERY DAY.

HOW DID THEY DO IT? THE DIRECT ECONOMIC IMPACT OF LOGAN PASSENGERS BEGAN WITH THE 15,750 PEOPLE EMPLOYED AT THE MORE THAN 100 BUSINESSES PROVIDING SUPPORT SERVICES AT LOGAN— IN THE FORM OF LUGGAGE CARRIED, FREIGHT HANDLED, MEALS PACKAGED, AND AIRCRAFT SERVICED— WHOSE COMBINED PAY-CHECKS AMOUNTED TO MORE THAN \$751 MILLION.

TRAVELERS TO AND FROM THE AIRPORT SPENT ALMOST \$10 MILLION IN TUNNEL TOLLS, \$2.1 MILLION IN MBTA FARES, AND \$25.6 MILLION IN TAXI FARES. TRUCKING COMPANIES BRINGING CARGO TO AND FROM THE AIRPORT EARNED \$54 MILLION.

AND THOSE VISITORS COMING INTO NEW ENGLAND THROUGH THE LOGAN GATEWAY WENT ON TO SPEND SOME \$1.4 BILLION DURING THEIR STAYS HERE.



## Massport's Mission: To Meet the Needs of the Air Traveler.

LOGAN AIRPORT IS A HUGE OPERATION, MOVING MILLIONS OF PASSENGERS AND TONS OF CARGO TO AND FROM DESTINATIONS AROUND THE WORLD. BUT EACH ONE OF US KNOWS WHAT IT'S LIKE TO BE ONE OF THOSE 23 MILLION PASSENGERS. AND EACH ONE OF US HAS A PICTURE OF WHAT THE IDEAL "LOGAN EXPERIENCE" SHOULD BE: A HASSLE-FREE TRIP TO THE AIRPORT, NO MATTER WHAT THE HOUR OF THE DAY; CONVENIENT, COURTEOUS CHECK-IN; A SHORT WAIT IN PLEASANT SURROUNDINGS; ON-TIME TAKE-OFF; AND OF COURSE, THE ABSOLUTE ASSURANCE OF SAFETY AND SECURITY.

MASSPORT'S JOB IS TO STRIVE TO MAKE THAT IDEAL PICTURE BECOME A REALITY. EVERYTHING MASSPORT DOES AT LOGAN— FROM THE SELECTION OF A SEAFOOD TAKEOUT CONCESSION TO THE MOST COMPLEX, LONG-TERM PLANNING OF ROADWAY AND TERMINAL CONFIGURATIONS— IS DESIGNED TO MEET THE SIMPLE, BASIC NEEDS OF THE PEOPLE WHO USE LOGAN EVERY DAY.

## FY 90 Accomplishments.

IN THE PAST YEAR, MEETING THE NEEDS OF THE AIR TRAVELER MEANT, AMONG OTHER THINGS:

- > COMMITTING OVER \$12 MILLION TO GROUND TRANSPORTATION INITIATIVES, INCLUDING RELOCATING THE LOGAN EXPRESS PARK AND RIDE SERVICE FROM QUINCY TO BRAINTREE AND BUILDING NEW

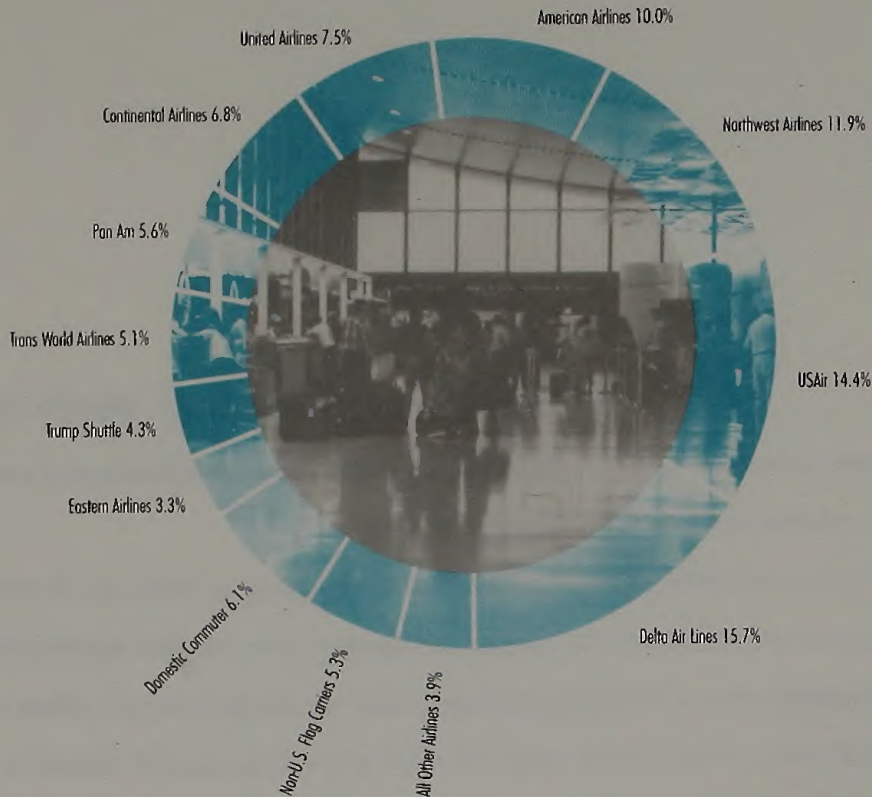


DOCK FACILITIES AT LOGAN TO ACCOMMODATE MORE WATER SHUTTLE SERVICE;

- > BUILDING AN OVERHEAD WALKWAY BETWEEN THE CENTRAL PARKING GARAGE AND TERMINAL E TO EASE PASSENGER ACCESS;
- > CONSTRUCTING A NEW FIRE TRAINING FACILITY, HIRING ADDITIONAL FIRE FIGHTERS, AND REFINING LOGAN'S EMERGENCY RESPONSE PROCEDURES;
- > IMPLEMENTING A STRICTER PASSENGER SECURITY SCREENING SYSTEM IN THE TERMINALS;
- > SENDING OUT A TEAM OF PUBLIC SERVICE REPRESENTATIVES TO WALK THE TERMINAL CORRIDORS AND SEEK OUT PASSENGERS IN NEED;
- > ARMING THE TRAVELING PUBLIC WITH SOME 45,000 COPIES OF THE NEW ENGLAND AIR TRAVELERS' BILL OF RIGHTS;
- > DISTRIBUTING WHEN KIDS FLY, A CONSUMER PUBLICATION FULL OF USEFUL TIPS ON AIR TRAVEL WITH CHILDREN;
- > AWARDING FOOD CONCESSIONS THAT OFFER THE BEST OF NEW ENGLAND CUISINE AT REASONABLE PRICES;
- > SETTING UP A BUSINESS SERVICE CENTER ON THE UPPER LEVEL OF TERMINAL C WITH A COMPLETE RANGE OF HIGH-TECH AMENITIES FOR BUSINESS TRAVELERS;
- > DEVELOPING A KIDPORT IN THE SAME TERMINAL WITH AN AVIATION-



### FY90 Logan Airport Air Carriers' Market Share



INSPIRED PLAYSPACE TO MEET THE NEEDS OF HIGH-ENERGY JUVENILE TRAVELERS; AND

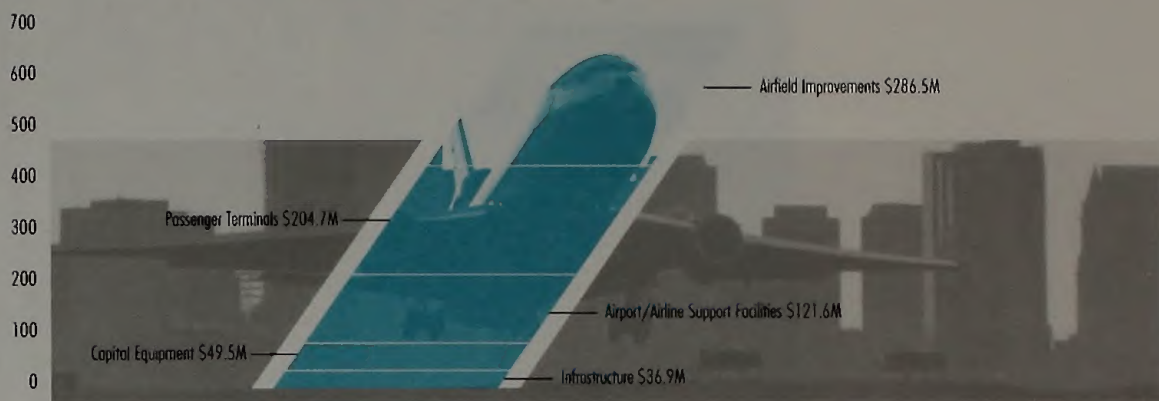
- > LISTENING TO WHAT AIR TRAVELERS WANT — BY SETTING UP SUGGESTION BOXES IN ALL OF THE TERMINALS AND RESPONDING TO MORE THAN 2,000 COMMENT CARDS.

## The Logan Airport Modernization Project [LAMP]: Strategy for the Future.

MASSPORT HAS A CLEAR AGENDA OF WHAT MUST BE DONE AT LOGAN AIRPORT IN THE NEXT TWO DECADES IN ORDER TO CONTINUE TO SERVE THE NEEDS OF NEW ENGLAND — A STEP-BY-STEP PLAN OF KEY CAPITAL INVESTMENTS CALLED LAMP.



Investment In Logan Airport (FY59 through FY90 \$ in Millions)



Total Investment: \$699.2 Million (Includes Federal Grants)

ALTHOUGH PASSENGER TRAFFIC AND CARGO TRAFFIC AT LOGAN HAVE BEEN INCREASING STEADILY, AND WILL CONTINUE TO DO SO, LOGAN HAS NO ROOM TO EXPAND ITS AIRFIELD. IN ORDER TO EXPAND LOGAN'S CAPACITY WITHOUT EXPANDING GEOGRAPHICALLY, MASSPORT HAS TO COME UP WITH SOME INGENIOUS WAYS TO MAXIMIZE EFFICIENCY.

THE LAMP PROGRAM, UNVEILED IN FY90, IS A SERIES OF LINKED IMPROVEMENTS TO LOGAN FACILITIES — INCLUDING NEW CARGO BUILDINGS AND IMPROVEMENTS TO LOGAN'S ROADWAY SYSTEM AND TERMINALS — CAREFULLY DESIGNED TO MEET THE NEEDS OF THE FUTURE.

## Competing in the Global Marketplace.

LAST MARCH, CONSTRUCTION BEGAN ON THE FIRST OF FIVE NEW AIR CARGO BUILDINGS NEEDED TO HANDLE THE INCREASE IN AIR FREIGHT PROJECTED FOR THE 1990S. THE NEW CARGO BUILDINGS WILL PROVIDE AIR FREIGHT COMPANIES WITH AN ADDITIONAL 289,000 SQUARE FEET OF OFFICIAL CARGO HANDLING SPACE.

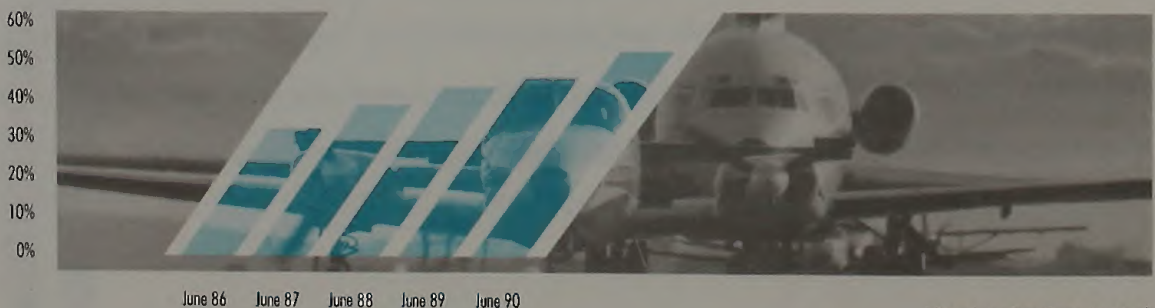


## Implementing Sound Ideas.

THE INSTALLATION OF A NEW AIRPORT NOISE MONITORING SYSTEM IS UNDER WAY WITH A MASSPORT INVESTMENT OF NEARLY \$2 MILLION TO ENSURE A SYSTEM TAILOR-MADE FOR THE NOISE PROBLEMS THAT EXIST AROUND ITS AIRPORTS. A NETWORK OF 36 REMOTE MICROPHONES, 29 AROUND LOGAN AND SEVEN AROUND HANSCOM FIELD, WILL MEASURE NOISE FROM OVERFLIGHTS AS WELL AS OTHER AIRPORT OPERATIONS. THE DATA WILL BE RELAYED TO CENTRAL COMPUTERS AT LOGAN AND HANSCOM FOR ANALYSIS.

SOUND INSULATION OF HOMES AND SCHOOLS CONTINUES. IN EAST BOSTON AND WINTHROP, 421 DWELLING UNITS HAVE BEEN TREATED, WHILE 27 SCHOOLS IN BOSTON, CHELSEA, REVERE, AND WINTHROP HAVE BEEN COMPLETED.

Share of Logan Flights Conducted in Stage 3 Aircraft \*



\*Stage 3 aircraft are the quietest aircraft in operation at Logan Airport. The noise rules took effect in July, 1986.



57.9M

7.4M

2

5,100ft.

**Hanscom Field**

0

0

6,000

4

12.2M

5

00



#### THE NUMBERS

15	MILES NORTHWEST OF BOSTON IN BEDFORD, MA
1,200	ACRES OF AIRPORT FACILITIES
5,100	FT. RUNWAY
7,000	FT. RUNWAY
500	TIE DOWNS
100	T HANGARS

#### SCOPE OF OPERATIONS

241,000	TAKEOFFS AND LANDINGS PER YEAR [OVER HALF BY SINGLE-ENGINE AIRCRAFT]
6,000	ARRIVING AND DEPARTING PASSENGERS PER YEAR [VIA CHARTER, AIR TAXI, AND COMMUTER FLIGHTS]

#### JOBS

20	MASSPORT EMPLOYEES AT HANSCOM
379	NON-MASSPORT EMPLOYEES AT HANSCOM
\$12.7M	TOTAL PAYROLL

#### ECONOMIC BENEFITS GENERATED

\$57.9M	TOTAL HANSCOM ECONOMIC BENEFIT TO REGIONAL ECONOMY
\$12.2M	INCOME TO PRIVATE COMPANIES LOCATED AT HANSCOM

#### MASSPORT CAPITAL INVESTMENT

\$21.5M	TOTAL MASSPORT INVESTMENT IN HANSCOM SINCE 1959
\$7.4M	FEDERAL GRANTS
\$1.6M	MASSPORT INVESTMENT IN HANSCOM IN FY90
\$19.0M	HANSCOM TEN-YEAR CAPITAL INVESTMENT AGENDA



## What the Numbers Mean.

THE NUMBERS SHOW THAT HANSCOM FIELD IS NEW ENGLAND'S BUSIEST GENERAL AVIATION AIRPORT, SERVING THE SPECIALIZED FLYING NEEDS OF THE REGION'S HIGH TECHNOLOGY CORPORATIONS, RESEARCH AND DEVELOPMENT FIRMS, AND RECREATIONAL FLYERS. IN FACT, HANSCOM'S CONVENIENT ACCESS TO ROUTE 128 MAKES IT A CRITICAL FACTOR IN THE LOCATION DECISIONS OF BUSINESSES THAT RELY ON GENERAL AVIATION.

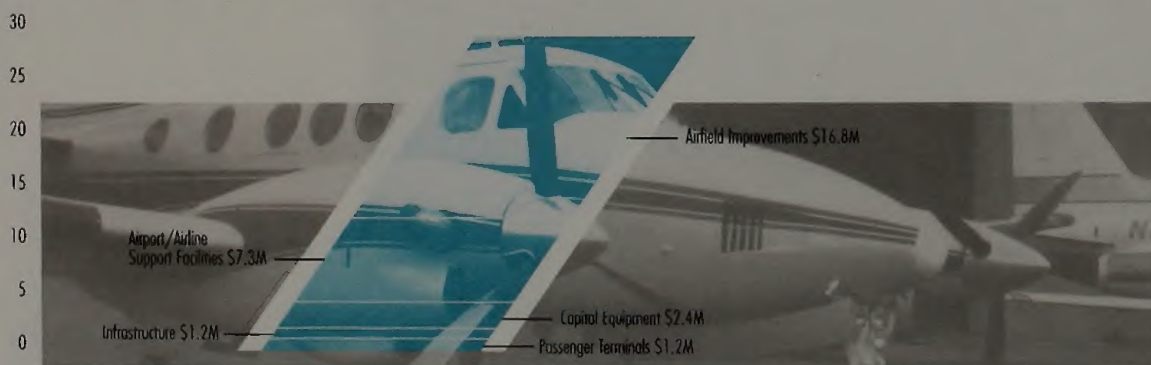
## FY 90 Accomplishments.

- > IN COOPERATION WITH COMMUNITY GROUPS FROM SURROUNDING TOWNS, HANSCOM FIELD BEGAN A TWO-YEAR STUDY SPONSORED BY THE FEDERAL AVIATION ADMINISTRATION (FAA) TO IDENTIFY AND EVALUATE ALTERNATIVE WAYS OF CONTROLLING AND MITIGATING NOISE, AND TO IDENTIFY APPROPRIATE LAND USES AT HANSCOM.
- > FY90 SAW THE COMPLETION OF A REHABILITATION AND LANDSCAPING PROJECT AT HANSCOM'S CIVIL AIR TERMINAL, AS WELL AS THE INITIATION OF A WATER AND SEWERAGE SYSTEM STUDY.



- > AS PART OF THE AUTHORITY-WIDE GOAL OF ENVIRONMENTAL RESPONSIBILITY, IN FY90 MASSPORT COMPLETED THOROUGH AUDITS OF HANSCOM TENANTS' FACILITIES TO ENSURE THAT ALL FUEL TANKS WERE BEING PROPERLY USED AND HAZARDOUS WASTES PROPERLY DISPOSED.
- > 1,950,000 SQUARE FEET OF CONCRETE PAVEMENT REPAIRS— INCLUDING TAXIWAYS, RAMPS, AND HANSCOM'S PRIMARY INSTRUMENT RUNWAY— WERE BEGUN IN FY90.

Investment In Hanscom Field (FY59 through FY90 \$ in Millions)



Total Investment: \$28.9 Million (Includes Federal Grants)



24.3M

1950

**Tobin Bridge**

11.7M

52,744

76.2M



## THE NUMBERS

2.4	MILES [TWICE AS LONG AS THE BROOKLYN BRIDGE]
3	LANES PER LEVEL, DOUBLE-DECK SPAN
10 <sup>TH</sup>	BUSIEST TOLL BRIDGE IN U.S., LOWEST TOLL OF THOSE TEN BRIDGES
1950	OPENED TO TRAFFIC
1959	ACQUIRED BY MASSPORT

## SCOPE OF OPERATIONS

24.3M	TOTAL VEHICLE CROSSINGS PER YEAR
11,427,785	VEHICLE CROSSINGS [SOUTHBOUND ONLY] PER YEAR
3,683,744	COMMUTERS
6,527,496	NON-COMMUTERS
1,216,545	TRUCKS
66,962	VEHICLES-AVERAGE WEEKDAY TWO-WAY TRAFFIC

## JOBS

52	MASSPORT EMPLOYEES
\$2.9M	TOTAL PAYROLL

## ECONOMIC BENEFITS GENERATED

\$11.7M	TOTAL TOBIN BRIDGE ECONOMIC BENEFITS
\$6.6M	LOCAL GOODS AND SERVICES PURCHASED [INCLUDING SUPPLIES, UTILITIES, REPAIRS, CONSTRUCTION, AND EQUIPMENT]

## MASSPORT CAPITAL INVESTMENT

\$76.2M	TOTAL MASSPORT INVESTMENT IN THE TOBIN BRIDGE SINCE 1959
\$6.0M	MASSPORT INVESTMENT IN TOBIN BRIDGE IN FY90
\$76.0M	TOBIN BRIDGE TEN-YEAR CAPITAL INVESTMENT AGENDA



## What the Numbers Mean.

THE TOBIN BRIDGE IS BOSTON'S LINK WITH ALL POINTS NORTH: CHELSEA AND REVERE, THE NORTH SHORE, AND NORTHERN NEW ENGLAND AND BEYOND. EVERY DAY, THERE ARE MORE THAN 65,000 TRIPS ON THAT LINK: COMMUTERS DRIVING INTO THE CITY, TRUCKERS HAULING LOADS INTO AND OUT OF BOSTON, TOURISTS EXPLORING THE HISTORIC NORTH SHORE.

IN FEBRUARY OF 1990, THE TOBIN BRIDGE REACHED ITS FORTIETH BIRTHDAY— AN OCCASION NOT JUST FOR CELEBRATION, BUT FOR UNDERSCORING THE NEED FOR MAJOR INVESTMENT IN BRIDGE INFRASTRUCTURE. ACCORDINGLY, MASSPORT HAS LAUNCHED A COMPREHENSIVE, TEN-YEAR BRIDGE REHABILITATION PROGRAM, WITH THREE MAJOR INITIATIVES:

- > REDECKING OF THE ENTIRE BRIDGE ROAD SURFACE  
[COST: \$47 MILLION];
- > COMPLETE REPAINTING [COST: \$12.4 MILLION]; AND
- > RECONSTRUCTION OF THE TOLL PLAZA AND INSTALLATION OF  
NEW TOLL-RECORDING EQUIPMENT [COST: \$4.4 MILLION].



## Redecking Project: Investing in Infrastructure.

LAST REDECKED MORE THAN FIFTEEN YEARS AGO, THE BRIDGE SURFACE IS AT THE END OF ITS PROJECTED DESIGN LIFE. OVER THE NEXT TEN YEARS, THE BRIDGE'S ENTIRE ROADWAY SURFACE WILL BE REPLACED AT A TOTAL COST OF \$47 MILLION. THE PROJECT INVOLVES REMOVING THE OLD PAVEMENT AND SUPPORTING GRID, AND REPLACING IT WITH A NEW CONCRETE SUBSTRUCTURE AND A NEW WEARING SURFACE.

THE PROJECT HAS BEEN UNDERTAKEN IN PHASES, BOTH TO MINIMIZE DISRUPTION OF BRIDGE TRAFFIC AND TO SPREAD THE COST OVER A NUMBER OF YEARS.

PHASE I OF THE CURRENT REDECKING PROGRAM — 1,100 LINEAR FEET OF ROAD SURFACE ON THE UPPER LEVEL AT THE CHARLESTOWN END OF THE BRIDGE, WHERE THE SURFACE HAD SUFFERED THE MOST DETERIORATION — RAN FROM AUGUST, 1988, TO MAY, 1989, AT A COST OF \$1.9 MILLION. PHASE II — ANOTHER 3,000 LINEAR FEET OF THE UPPER LEVEL — BEGAN IN OCTOBER, 1989, AND IS EXPECTED TO BE COMPLETED IN JANUARY, 1991.



Investment In Tobin Bridge (FY59 through FY90 \$ in Millions)



Tobin Bridge Traffic Projections - Average Weekday One-Way Traffic (In Thousands of Vehicles)\*



\* Through FY93, The Tobin Bridge's traffic volume will continue to be adversely impacted by the Central Artery North Area (CANA) project. After CANA is completed in FY93, traffic volume will grow steadily. The projections assume a slight decrease in traffic volume when the Central Artery/Third Harbor Tunnel (CA/THT) opens in mid FY98. Thereafter, traffic is projected to grow at a moderate rate.

## FY 90 Accomplishments.

> MASSPORT COMPLETED THE FINAL PHASE OF A TWO-YEAR, \$2.06 MILLION UPGRADE OF THE TOBIN'S FIRE PROTECTION SYSTEM. THE ENTIRE LENGTH OF THE BRIDGE IS NOW PROTECTED BY A HYDRANT SYSTEM CAPABLE OF PUMPING WATER DIRECTLY UP TO THE BRIDGE FROM THE GROUND LEVEL.

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> HAVING COMPLETED A \$788,000 LEAD SOIL REMOVAL PROJECT IN CHELSEA, A SIMILAR MASSPORT EFFORT IS NOW UNDER WAY IN CHARLESTOWN. THE \$763,000 PROJECT INVOLVES THE REMOVAL OF THE TOP SIX INCHES OF CONTAMINATED SOIL ON MASSPORT-OWNED PROPERTY AND THAT OF HOMEOWNERS WITHIN A 100-FOOT RADIUS OF THE BRIDGE, AND REPLACING IT WITH CLEAN SOIL.

> AS PART OF THE PROGRAM, MASSPORT WORKED WITH THE CHARLESTOWN NEIGHBORHOOD COUNCIL TO UNDERTAKE A BEAUTIFICATION PROJECT OF MASSPORT-OWNED PROPERTY — INCLUDING SIDEWALK INSTALLATION, FENCING, AND LANDSCAPING — IN THE AREA OF CHARLESTOWN DIRECTLY BELOW THE TOBIN BRIDGE.

> IN A PROJECT SCHEDULED TO RUN FROM APRIL THROUGH NOVEMBER, 1991, PORTIONS OF THE BRIDGE THAT ABUT THE CHARLESTOWN NEIGHBORHOOD WILL BE PAINTED AT A COST OF \$1.5 MILLION.



246,000 SQ.FT

48

6

M

Seaport

40

38,000

25 M

34,000



## THE NUMBERS

### MORAN TERMINAL/CHARLESTOWN

50	ACRES OF STORAGE
1,100	FT. BERTH
1	70-TON CRANE
1	40-TON CRANE
48,000	CONTAINERS [GENERAL CARGO]
\$56M	TOTAL MASSPORT CAPITAL INVESTMENT

### CONLEY TERMINAL/SOUTH BOSTON

100	ACRES OF STORAGE
4,255	FT. BERTH
2	40-TON CRANES
34,000	CONTAINERS [GENERAL CARGO]
33,000	AUTOMOBILES
\$46M	TOTAL MASSPORT CAPITAL INVESTMENT

### MYSTIC PIER

246,000	SO. FT.
\$9M	TOTAL MASSPORT CAPITAL INVESTMENT

### HARBOR GATEWAY TERMINAL/SOUTH BOSTON

#### MASSPORT MARINE TERMINAL

40	ACRES
38,000	AUTOMOBILES
\$25M	TOTAL MASSPORT CAPITAL INVESTMENT

#### ARMY BASE/SOUTH BOSTON

1M	SO. FT.
4,200	FT. BERTH
194,000	TONS CEMENT
6,700	TONS LUMBER
\$6M	TOTAL MASSPORT CAPITAL INVESTMENT

#### BLACK FALCON CRUISE TERMINAL

3,555	PASSENGERS
10	CRUISE SHIPS
\$7M	TOTAL MASSPORT CAPITAL INVESTMENT



**FISH PIER**

143,000	SQ. FT. OF FISH PROCESSING SPACE
80,000	SQ. FT. OF COMMERCIAL OFFICE SPACE
32M	LBS. OF FISH PROCESSED
16M	LBS. OF FISH LANDED
\$29M	TOTAL MASSPORT CAPITAL INVESTMENT
9M	FEDERAL GRANTS

**WORLD TRADE CENTER**

850,000	SQ. FT. OFFICE SPACE AND MARKET CENTER
\$11M	TOTAL MASSPORT CAPITAL INVESTMENT

**CONSTITUTION PLAZA**

160,000	SQ. FT. OFFICE, RESTAURANT, AND MARINE COMPLEX
\$4M	TOTAL MASSPORT CAPITAL INVESTMENT

**EAST BOSTON SHIPYARD**

18.6	ACRES MARITIME INDUSTRIAL SPACE
\$13M	TOTAL MASSPORT CAPITAL INVESTMENT

**EAST BOSTON PIERS**

56	ACRES
\$7M	TOTAL MASSPORT CAPITAL INVESTMENT

**REVERE SUGAR TERMINAL**

18	ACRES
\$7M	TOTAL MASSPORT CAPITAL INVESTMENT

**TOTAL MASSPORT MARITIME TERMINALS SCOPE OF OPERATIONS/FY90**

1M	TONS: TOTAL CARGO HANDLED BY MASSPORT'S MARINE TERMINALS
71,000	AUTOMOBILES
\$3,339	VALUE OF CARGO PER TON [MORE THAN TWICE THE NATIONAL AVERAGE]
\$4B	TOTAL VALUE OF CARGO HANDLED



## **JOBS**

95	MASSPORT PORT-RELATED EMPLOYEES
35	MASSPORT REAL ESTATE & DEVELOPMENT EMPLOYEES
5,985	DIRECTLY EMPLOYED BY THE PORT [NON-MASSPORT] [STEVEDORES, TRUCKERS, BROKERS, LONGSHORE- MEN, ETC.]
1,458	DEVELOPMENT-RELATED EMPLOYEES [NON-MASSPORT]
\$232.3M	TOTAL COMBINED PAYROLL

## **ECONOMIC BENEFITS GENERATED**

\$1.0B	ECONOMIC BENEFIT GENERATED BY MASSPORT'S WORKING WATERFRONT FACILITIES PER YEAR
\$2.8M	ECONOMIC BENEFIT GENERATED BY FACILITIES PER DAY
\$322.8M	ECONOMIC BENEFIT GENERATED BY MASSPORT'S WATERFRONT PROPERTY DEVELOPMENTS PER YEAR
\$1.3B	TOTAL ECONOMIC BENEFIT GENERATED BY MASSPORT'S PORT PROPERTIES

## **MASSPORT CAPITAL INVESTMENT: SEAPORT**

\$156.6M	TOTAL MASSPORT INVESTMENT IN THE PORT SINCE 1959
\$3.7M	FY90 MASSPORT INVESTMENT IN THE PORT
\$130M	PORT PROPERTIES TEN-YEAR CAPITAL INVESTMENT AGENDA*

## **MASSPORT CAPITAL INVESTMENT: DEVELOPMENT PROPERTIES**

\$74.5M	MASSPORT INVESTMENT SINCE 1959
\$11.2M	FEDERAL GRANTS
\$2.4M	FY90 MASSPORT INVESTMENT IN REAL ESTATE AND DEVELOPMENT FACILITIES

\*INCLUDES REAL ESTATE AND DEVELOPMENT FACILITIES.



## What the Numbers Mean.

THE NUMBERS LEAVE NO DOUBT THAT THE PORT OF BOSTON IS A THRIVING, WORLD-CLASS SEAPORT. ALTHOUGH MANY MASSACHUSETTS RESIDENTS ARE LARGELY UNAWARE OF THE WORKING PORT OF BOSTON, MORAN TERMINAL [LOCATED BENEATH THE TOBIN BRIDGE IN CHARLESTOWN] IS IN FACT THE BUSIEST CONTAINER TERMINAL IN NEW ENGLAND. MORAN HANDLED SOME 48,000 CONTAINERS IN FY90 ALONE, WHILE AT CONLEY AND MASSPORT MARINE TERMINALS, LOCATED BEYOND FORT POINT CHANNEL IN SOUTH BOSTON, SOME 71,000 AUTOMOBILES WERE UNLOADED FOR DESTINATIONS IN NEW ENGLAND AND BEYOND.

THE SEAPORT STIMULATES THE REGIONAL ECONOMY IN A VARIETY OF WAYS:

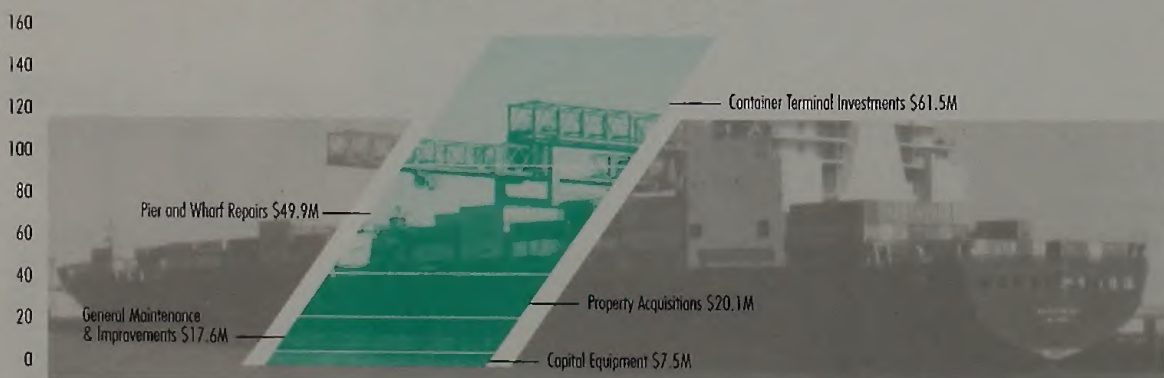
**JOBS:** THE SEAPORT DIRECTLY EMPLOYS OVER 6,000 PEOPLE, WHOSE YEARLY PAYCHECKS TOTAL SOME \$174.8 MILLION, NOT TO MENTION THE \$88 MILLION WORTH OF JOBS CREATED IN SUPPORT OF PORT ACTIVITIES, OR THE \$262 MILLION WORTH OF LOCAL GOODS AND SERVICES PURCHASED BY PORT USERS, HANDLERS, AND TRANSPORTERS.



ACCESS TO WORLD MARKETS: HAVING AN INTERNATIONAL PORT IN BOSTON PROVIDES LOCAL COMPANIES ACCESS TO THE ENTIRE GLOBAL MARKETPLACE FOR THEIR PRODUCTS. MASSPORT'S TRADE DEVELOPMENT UNIT PROVIDES EXPORT SERVICES TO SMALL AND MEDIUM-SIZED NEW ENGLAND COMPANIES, REACHING SOME 50 NEW COMPANIES EACH MONTH. IN SUPPORT OF THE STATE'S "EXPORT 90'S" EFFORT TO DOUBLE EXPORTS IN THE NEXT FIVE YEARS, MASSPORT HELPS COMPANIES DEVELOP EXPORT STRATEGIES, AND PROMOTES NEW ENGLAND COMPANIES AT INTERNATIONAL TRADE SHOWS.

LOWER SHIPPING COSTS FOR ALL: THE PRESENCE OF A MAJOR CONTAINER PORT IN BOSTON MEANS THAT ANY OTHER PORT OPERATOR, OCEAN CARRIER, OR OVERLAND TRANSPORTATION SERVICE MUST BEAT

Investment In Port Facilities- Maritime Properties (FY59 through FY90 \$ in Millions)



Total Investment: \$156.6 Million



THE COST OF DIRECT, RELATIVELY LOW-COST OCEAN SERVICE TO BOSTON. SIMPLY BECAUSE THE SEAPORT EXISTS, A "BOSTON BILL OF LADING" MEANS LOWER TRANSPORTATION COSTS— WHETHER GOODS ARE SHIPPED BY SEA OR OTHERWISE— FOR ALL BUSINESSES WITHIN THE PORT'S SERVICE AREA.

## Massport Seaport Strategy: The Past Decade.

TEN YEARS AGO, MASSPORT'S OVERALL SEAPORT STRATEGY WAS GUIDED BY TWO MAJOR OBJECTIVES:

- > TO BUILD A STRONG, WORLD-CLASS PORT. TEN YEARS AND \$157 MILLION OF CAPITAL INVESTMENT LATER, MASSPORT HAS REALIZED THE GOAL OF DEVELOPING THE MAJOR PUBLIC CARGO TERMINALS INTO STATE-OF-THE-ART FACILITIES.
- > TO REVIVE MORIBUND WATERFRONT PROPERTIES NO LONGER SUITABLE FOR MARITIME USES, AND TO ESTABLISH REVENUE STREAMS FROM THE LEASE OF THOSE PROPERTIES WHICH WOULD BE USED TO CROSS-SUBSIDIZE THE WORKING WATERFRONT. TEN YEARS AND \$86 MILLION OF INVESTMENT LATER, MASSPORT'S MISSION HAS BEEN LARGELY ACCOMPLISHED. PROPERTIES HAVE BEEN REHABILITATED, REVENUE STREAMS HAVE BEEN ESTABLISHED, AND WA-

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Investment In Port Facilities- Development Properties (FY59 through FY90 \$ in Millions)



Total Investment: \$85.7 Million (Includes Federal Grants)

TERFRONT REAL ESTATE WHICH MIGHT HAVE BEEN USED UP BY DEVELOPERS HAS BEEN PRESERVED FOR THE PRESENT AND FUTURE NEEDS OF BOSTON'S COMMERCIAL SEAPORT.

TODAY THE WORLD TRADE CENTER NOT ONLY PROVIDES JOBS FOR THE COMMUNITY AND REVENUE FOR THE WATERFRONT, BUT FUNCTIONS AS A CENTER FOR THE PROMOTION AND FACILITATION OF INTERNATIONAL TRADE.

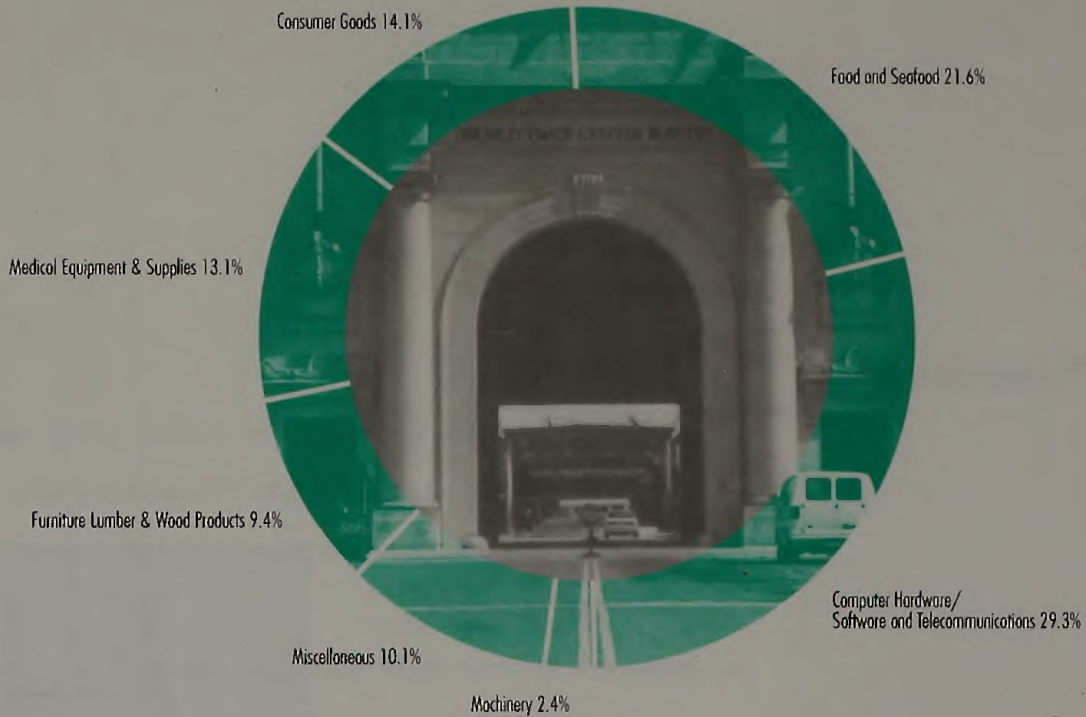
THE FISH PIER IS A PERMANENT, SUBSIDIZED HOME FOR BOSTON'S FISHING INDUSTRY, ANNUALLY PROCESSING SOME 32 MILLION POUNDS OF FISH, 16 MILLION POUNDS DIRECTLY FROM LOCAL FISHING BOATS. AND AT THE FORMER BOSTON SHIPYARD, THE BOSTON MARINE WORKS IS THRIVING, PROVIDING LOCAL SHIP REPAIR AS WELL AS NEW, PERMANENT JOBS.

## Seaport Strategy: From Here to the Year 2000.

IN FY90, MASSPORT ANNOUNCED A NEW SEAPORT STRATEGY DESIGNED TO TAKE THE PORT OF BOSTON FROM HERE TO THE YEAR 2000. THE STRATEGY IS CONSISTENT WITH THE GOALS THAT HAVE GUIDED SEAPORT DEVELOPMENT IN THE PAST DECADE, BUT REFLECTS BOTH THE ACHIEVEMENTS OF THE PAST AND THE REQUIREMENTS OF THE FUTURE.



## Trade Development Clients By Industry



MAKING THE MOST OF 1992: MASSPORT'S SEAPORT STRATEGY IS DESIGNED TO ENSURE THAT BOSTON IS PREPARED TO MAKE THE MOST OF 1992, ESPECIALLY WITH THE REUNIFICATION OF GERMANY AND CHANGES THROUGHOUT EASTERN EUROPE, AS WELL AS THE STAGGERING \$4 TRILLION EEC MARKET THAT WILL OPEN UP AT THAT TIME. THE SEAPORT STRATEGY IS SHAPED BY SEVEN CRITICAL ROLES IT WILL PLAY IN THE PORT IN THE COMING DECADE:

- > DEVELOPER OF TERMINALS;
- > PORT ADVOCATE AND PLANNER;
- > PRESERVER OF PORT OPTIONS;
- > PROMOTER OF WATER-DEPENDENT USES;
- > IMPROVER OF PORT ACCESS;
- > REDEVELOPER OF OBSOLETE PROPERTIES; AND
- > PROVIDER OF PUBLIC ACCESS TO THE WATERFRONT.



## FY 90 Accomplishments.

- > THE PUBLIC TERMINALS IN THE PORT OF BOSTON TOPPED ONE MILLION TONS OF CONTAINERIZED CARGO. THIS INCREASE REPRESENTED A 6.3 PERCENT RISE IN EXPORTS AND A 1.1 PERCENT INCREASE IN IMPORTS.
- > MASSPORT'S MARITIME DEPARTMENT MADE A SYMBOLIC AND SUBSTANTIVE STATEMENT OF COMMITMENT TO THE WATERFRONT, WITH A MOVE TO NEW OFFICES AT THE REHABILITATED BOSTON FISH PIER.
- > MASSPORT INSTALLED A \$875,000 COMPUTERIZATION PROGRAM AT MORAN TERMINAL, DESIGNED TO GUIDE THE MOVEMENT OF CONTAINERS WITHIN THE YARD, THEREBY SPEEDING UP PROCESSING TIME.
- > AS AN ADD-ON TO BOSTON'S NORTHERN EUROPEAN SERVICE, MASSPORT'S GUARANTEE OF 48-HOUR TURNAROUND TO THE MIDWEST OFFERS IMPORTANT TIME-SAVINGS TO CONSIGNEES, AND POSITIONS THE PORT OF BOSTON AS A GATEWAY TO U.S. MARKETS FOR CENTRAL EUROPE AND EC 1992.



## Massport Board Members



RICHARD A. GIESSER, CHAIRMAN, IS A FINANCIAL AND MANAGEMENT CONSULTANT. TERM EXPIRES 1995.

MIGUEL A. SATUT, VICE CHAIRMAN, IS PRESIDENT OF ASSOCIATED GRANTMAKERS OF MASSACHUSETTS, A BOSTON-BASED NONPROFIT ORGANIZATION OF CORPORATIONS AND FOUNDATIONS INVOLVED IN PHILANTHROPIC PROJECTS IN MASSACHUSETTS. TERM EXPIRED 1990.



PAUL F. NACE, JR. IS A REAL ESTATE DEVELOPER AND CONSULTANT IN BOSTON. TERM EXPIRES 1991.





JOHN A. VITAGLIANO IS TUNNEL SUPERINTENDENT FOR THE MASSACHUSETTS TURNPIKE AUTHORITY. TERM EXPIRES 1992.

CHARLES M. RASO IS THE BUSINESS MANAGER OF THE BRICKLAYERS AND ALLIED CRAFTSMEN UNION, LOCAL #3, IN BOSTON. TERM EXPIRES 1993.



JACQUELYN R. SMITH IS THE FINANCIAL MANAGER OF BICKNELL & SMITH, A LAW FIRM IN CAMBRIDGE, MASSACHUSETTS. TERM EXPIRES 1994.

CAROLYN P. PARTAN IS AN ATTORNEY SPECIALIZING IN REAL ESTATE LAW AND AN ADJUNCT PROFESSOR AT BOSTON COLLEGE SCHOOL OF LAW. TERM EXPIRES 1996.





## INDEPENDENT AUDITOR'S REPORT

Massachusetts Port Authority  
Boston, Massachusetts

We have audited the accompanying balance sheets of the Massachusetts Port Authority (the Authority) as of June 30, 1990 and 1989, and the related statements of income and changes in accumulated fund equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 1990 and 1989, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

*Casper & Lybrand*

Boston, Massachusetts  
September 12, 1990

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## BALANCE SHEET

JUNE 30, 1990 AND 1989

	1990	1989
	(in thousands)	
<b>Assets</b>		
Cash (See Note C for restrictions as to use) .....	\$ 1,193	\$ 2,068
Investments (Note A; see Note C for restrictions as to use) .....	251,109	256,672
Accounts receivable, less allowance for doubtful accounts of \$2,534,000 in 1990 and \$815,000 in 1989 .....	17,970	15,787
Prepayments and other assets (Notes A and G) .....	16,424	24,276
	<u>286,696</u>	<u>298,803</u>
Investments in facilities (Notes A and D):		
Facilities completed:		
Airports .....	623,333	589,777
Bridge .....	73,442	70,550
Port .....	243,900	238,386
	<u>940,675</u>	<u>898,713</u>
Less accumulated depreciation and amortization .....	(389,390)	(357,093)
	551,285	541,620
Construction in progress .....	69,953	39,159
Net investment in facilities .....	<u>621,238</u>	<u>580,779</u>
Total Assets .....	<u>\$907,934</u>	<u>\$879,582</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Note G) .....	\$ 32,137	\$ 25,991
Accrued pension cost (Note F) .....	4,213	4,614
Accrued interest payable .....	14,423	16,183
Funded debt (Note E) .....	380,725	385,460
Total Liabilities .....	<u>431,498</u>	<u>432,248</u>
Deferred Income .....	1,863	1,984
Contingent liabilities and commitments (Notes H, J and K)		
<b>Fund Equity (Notes A, B and C)</b>		
Accumulated fund equity .....	407,364	382,722
Contributed capital, grants-in-aid of construction .....	67,209	62,628
Total Fund Equity .....	<u>474,573</u>	<u>445,350</u>
Total Liabilities and Fund Equity .....	<u>\$907,934</u>	<u>\$879,582</u>



## STATEMENTS OF INCOME AND CHANGES IN ACCUMULATED FUND EQUITY

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	1989
	(in thousands)	
<b>Revenues (Note B):</b>		
Tolls, fees and sales of services .....	\$105,362	\$100,806
Rentals (Note K) .....	40,065	41,160
Concessions (Note K) .....	24,847	24,135
Income on investments (Notes A and B) .....	17,072	14,338
Other .....	4,883	4,764
<b>Total Revenues</b> .....	<b>192,229</b>	<b>185,203</b>
<b>Expenses (Note B):</b>		
Operations and maintenance .....	73,558	68,514
Administration .....	28,756	24,658
Insurance .....	2,763	2,896
Pension costs (Note F) .....	2,299	2,005
Interest (Notes A and H) .....	24,833	22,949
In lieu of taxes (Note I) .....	6,519	6,440
Depreciation and amortization, including \$3,473,000 in 1990 and \$3,257,000 in 1989 on assets acquired with contributed capital, grants-in-aid of construction (Note A) .....	32,332	31,780
<b>Total Expenses</b> .....	<b>171,060</b>	<b>159,242</b>
<b>Net Income</b> .....	<b>21,169</b>	<b>25,961</b>
Add credit arising from transfer of depreciation to contributed capital .....	3,473	3,257
<b>Accumulated fund equity, at beginning of year</b> .....	<b>382,722</b>	<b>353,504</b>
<b>Accumulated Fund Equity, at end of year</b> .....	<b>\$407,364</b>	<b>\$382,722</b>

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## STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	1989
	(in thousands)	
<b>Funds Provided From:</b>		
Net income .....	\$ 21,169	\$ 25,961
Adjustments for noncash transactions:		
Depreciation and amortization .....	32,332	31,780
Funds provided from operations .....	53,501	57,741
Contributed capital, grants-in-aid of construction .....	8,054	6,985
Increase in deferred income and liabilities other than funded debt .....	3,864	3,955
Issuance of funded debt .....	0	101,100
Total Funds Provided .....	65,419	169,781
<b>Funds Applied To:</b>		
Cost of facilities .....	72,791	53,143
Retirement of funded debt (Note E) .....	4,735	4,455
Increase (decrease) in other assets .....	(5,669)	6,662
Total Funds Applied .....	71,857	64,260
Net Increase (Decrease) In Cash And Investments .....	\$ (6,438)	\$105,521



## NOTES TO FINANCIAL STATEMENTS

The Massachusetts Port Authority (The Authority) is a public instrumentality created by an act of the Legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

## A. Summary of Significant Accounting Policies:

Investments in U.S. Government obligations and agencies of the U.S. Government are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost including accrued interest.

Facilities are carried at cost, and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed capital as earned and amortized on the straight-line method over the service lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$3,982,000 and \$3,639,000, reduced by interest income of \$3,507,000 and \$2,856,000 for the years ended June 30, 1990 and 1989, respectively, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement (See Note 8).

## B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the Payment in Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year.



## NOTES TO FINANCIAL STATEMENTS

CONTINUED

## 8. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:

Presented below are the 1990 and 1989 revenue and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to net income as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

	1990						1989
	(Dollar Amounts in Thousands)						
	Bridge	Airport Properties	Port Properties		Facilities Management	Income on Investments	Total
			Maritime	Development*			Total
<b>Revenues:</b>							
1978 Pledged Revenues	\$ 5,517	\$ 71,817				\$ 16,055	\$ 93,389
Other		72,788	\$ 19,189	\$ 4,777	\$ 1,034	1,017	98,805
	<u>\$ 5,517</u>	<u>\$144,605</u>	<u>\$19,189</u>	<u>\$ 4,777</u>	<u>\$ 1,034</u>	<u>\$17,072</u>	<u>\$192,194</u>
							<u>\$185,117</u>
<b>Operating Expenses:</b>							
Operations and Maintenance	\$ 2,662	\$ 52,199	\$ 15,959	\$ 2,374	\$ 364		\$ 73,558
Administration	1,630	20,545	4,402	1,618	561		28,756
Insurance	267	2,082	596	233	66		3,244
Pension (Note F)	190	1,938	386	132	54		2,700
	<u>\$ 4,749</u>	<u>\$ 76,764</u>	<u>\$21,343</u>	<u>\$ 4,357</u>	<u>\$ 1,045</u>		<u>\$108,258</u>
							<u>\$ 99,131</u>
<b>Excess of Revenues Over Operating Expenses Under Trust Agreement</b>							\$ 83,936
Add: Self Insurance Cost							\$ 85,986
(Expensed under Trust Agreement; not on expense under GAAP.)							481
Add: Pension Adjustment							679
(Pension cost is greater under Trust Agreement than under GAAP.)							401
Add: Difference on loss of sale of equipment							379
(Equipment is depreciated under GAAP but not under Trust Agreement.)							35
Less: Payments in lieu of taxes (Not on operating expense under Trust Agreement; expensed under GAAP.)							86
Less: Interest on funded debt, net of interest capitalized on projects under construction (Not on operating expense under Trust Agreement; expensed under GAAP.)							(6,519)
Less: Depreciation and amortization (Not on operating expense under Trust Agreement; expensed under GAAP.)							(24,833)
							(22,949)
							<u>(32,332)</u>
							<u>(31,780)</u>
<b>Net Income</b>							\$ 21,169
							<u>\$ 25,961</u>

\* DEVELOPMENT INCLUDES ACTIVITIES RELATED TO THE AUTHORITY'S ALTERNATIVE USE PROGRAM, PRINCIPALLY FOR COMMONWEALTH PIER, FISH PIER AND HOOSAC PIER.



## NOTES TO FINANCIAL STATEMENTS

CONTINUED

## C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1990, by the various funds and accounts established under the Trust Agreement with the Authority's bondholders.

## Use defined for specific purposes:

	Cash	Investments	Total
	(in thousands)		
1978 Debt Service Fund	\$ 500	\$ 32,268	\$ 32,768
Operating Fund, including			
appropriations for self-insurance	104	16,435	16,539
Maintenance Reserve Fund	4	54,483	54,487
In Lieu of Taxes Fund	0	3,419	3,419
Capital Budget Account	26	61,142	61,168
Improvement and Extension Fund	539	25,332	25,871
1985 Interest and Sinking Fund	1	12,617	12,618
1988 Interest and Sinking Fund	17	11,856	11,873
1988 Construction Fund	2	33,557	33,559
	<u>\$1,193</u>	<u>\$ 251,109</u>	<u>\$ 252,302</u>

The following summarizes the Authority's investments by type of investments held at June 30, 1990.

	Carrying Amount	Market Value
	(in thousands)	
Certificates of Deposit	\$ 201	\$ 201
Repurchase Agreements	11,089	11,089
U.S. Government Securities and Agencies:		
Treasury Notes	62,918	63,061
Treasury Bills	3,376	3,377
Federal Farm Credit (FFC)	51,379	51,365
Federal National Mortgage Association (FNMA)	25,135	25,131
Federal Home Loan Bank (FHLB)	83,505	83,788
Federal Home Loan Mortgage Corp (FHLMC)	5,941	5,940
Zero Coupon	7,565	7,559
Total U.S. Government Securities and Agencies	<u>239,819</u>	<u>240,221</u>
Total	<u>\$ 251,109</u>	<u>\$ 251,511</u>

The Authority is authorized by the Trust Agreement to invest in obligations of the U.S. Treasury, U. S. Government agencies, and instrumentalities, in bonds or notes of public agencies or municipalities, in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's Trustee and Custodian.

U. S. Government securities other than FFC, FNMA, FHLB, FHLMC and Zero Coupon securities are guaranteed by the U.S. Government. The Certificates of Deposit are fully guaranteed by the Federal Depository Insurance Corporation. Repurchase agreements are collateralized by obligations of the Federal government or agencies of the Federal government. It is required that securities underlying repurchase agreements must have a market value at least equal to the cost of the agreement plus accrued interest.

## D. Investments in Facilities and Depreciation:

Net investments in facilities at June 30, 1990 and 1989 is comprised of:

	1990	1989
	(in thousands)	
Facilities completed:		
Land and land improvements	\$110,343	\$104,710
Bridge and bridge improvements	71,770	69,368
Buildings	498,307	474,599
Runways and other paving	217,442	210,933
Machinery and equipment	42,813	39,103
Accumulated depreciation and amortization	<u>(389,390)</u>	<u>(357,093)</u>
	551,285	541,620
Construction in progress	<u>69,953</u>	<u>39,159</u>
Net investments in facilities	<u>\$621,238</u>	<u>\$580,779</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities - buildings, runways and other paving	10 and 25 years
Port facilities - buildings and piers	25 years
Machinery and equipment	10 years

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## NOTES TO FINANCIAL STATEMENTS

CONTINUED

## E. Funded Debt:

Funded debt at June 30, 1990 is comprised of:

	Revenue Refunding Bonds Series 1978		Revenue Refunding Bonds Series 1985-A & B (Dollar amounts in thousands)		Revenue Bonds Series 1988-A		
Maturity on July 1	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
Serial Bonds:							
1990	6.3%	\$ 4,000	7.00%	\$ 830	6.00%	\$ 1,135	\$ 5,965
1991	6.4	4,265	7.25	885	6.20	1,205	6,355
1992	6.5	4,545	7.50	955	6.35	1,280	6,780
1993	6.6	4,840	7.75	1,025	6.50	1,360	7,225
1994	6.7	5,165	8.00	1,105	6.60	1,445	7,715
1995	6.8	5,520	8.25	1,190	6.70	1,545	8,255
1996	6.8	5,905	8.50	1,290	6.80	1,650	8,845
1997	6.9	6,305	8.70	1,405	6.90	1,760	9,470
1998	—	—	8.80	1,520	7.00	1,880	3,400
1999	—	—	8.90	1,655	7.10	2,010	3,665
2000	—	—	9.00	1,805	7.20	2,155	3,960
2001	—	—	—	—	7.30	2,310	2,310
2002	—	—	—	—	7.40	2,480	2,480
2003	—	—	—	—	7.50	2,665	2,665
Total Serial Bonds:		40,545		13,665		24,880	79,090
Term Bonds:							
1998-2012	7.125	166,385	—	—	—	—	166,385
2001-2005	—	—	9.25	9,500	—	—	9,500
2004-2015	—	—	9.375	49,530	—	—	49,530
2004-2008	—	—	—	—	7.75	16,705	16,705
2009-2018	—	—	—	—	7.75	59,515	59,515
Total Funded Debt:		\$ 206,930		\$ 72,695		\$ 101,100	\$ 380,725

SEE NOTE B FOR REVENUES PLEDGED AS SECURITY FOR THE 1978 BONDS AND AVAILABLE FOR THE 1985 AND 1988 BONDS.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 1990 the following bonds outstanding are considered defeased:

June 30, 1990 (in thousands)		
1964	Series	\$ 35,455
1969	Series	50,235
1971	Series	62,845
1973	Series	88,485
1982	Series	53,045
Total Defeased Bonds		\$ 290,065

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## NOTES TO FINANCIAL STATEMENTS

CONTINUED

## F. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the "Massachusetts Acts of 1978" and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment, the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was \$25,998,000 as of January 1, 1989. Total payroll for Authority employees was \$37,044,000 for the twelve months ended December 31, 1988.

The actuarial cost method utilized to determine contributions to the Plan for the years ended December 31, 1989 and 1988 was the entry age normal-frozen initial liability cost method.

The more significant actuarial assumptions underlying the actuarial computations for the Plan years ended December 31, 1989 and 1988 are as follows:

Assumed rate of return on investments	- 8% per annum compounded annually
Non-disabled life Mortality basis	- 1971 Group Annuity Mortality Table for males and the same table with ages set back six years for females
Employee turnover basis	- Based on actuarial table T-5 from the Pension Actuaries Handbook
Salary escalation	- 6% per annum
Retirement	- Age 63 or age as of the valuation date if later

Retirement benefits - 2.30% per year of service

Past-retirement cost of living increases - 4.50% per annum compounded annually

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other Public Employee's Retirement Systems Plans. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1989. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 6 percent per year, attributable to inflation and merit increase, and (c) post-retirement benefit increases from an assumed cost of living increase of 4.50 percent annually.

At January 1, 1989 the assets in excess of pension benefit obligation was \$4,236,584, determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$16,231,416
Current employees:	
Employee financed	14,335,966
Employer financed-vested	13,842,058
Employer financed-nonvested	<u>14,504,552</u>
Total pension benefit obligation	58,913,992
Net assets available for benefits	<u>63,150,576</u>
Assets in excess of pension benefit obligation	<u>\$ 4,236,584</u>

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. Employer contributions are determined using the entry age normal-frozen initial liability cost method. The Plan also amortizes the unfunded liability in level amounts over a period of 20 years.

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## NOTES TO FINANCIAL STATEMENTS

CONTINUED

## F. Pension Costs, continued:

Total contributions to the Plan were \$4,669,209 for the Plan year ended December 31, 1989. This includes employee contributions of \$2,101,257 which are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983 and 8% for employees hired after December 31, 1983 and effective January 1, 1988, and an additional 2% of base pay over \$30,000 for those employees hired after December 31, 1978) and employer contributions of \$2,567,952 which were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed for the Plan's fiscal year beginning January 1, 1989. Employer contributions consisted of: (a) \$995,024 normal cost, (b) \$1,329,952 amortization of the unfunded actuarial accrued liability, and (c) \$242,976 funding for operating costs. These contributions made by the employee and employer during Plan year 1989 represents 8% and 10% of covered payroll, respectively.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Plan Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4)	(5)	(6)
				Assets in Excess of Pension Benefit Obligation (1) - (2)	Annual Covered Payroll	Assets in Excess of Pension Benefit Obligation as a percentage of Annual Covered Payroll (4) ÷ (5)
1987	\$47,699,280	\$43,660,788	109.2%	\$4,038,492	\$21,268,000	19.0%
1988	\$4,212,201	\$0,274,392	107.8%	3,937,809	25,974,904	15.2%
1989	\$3,150,576	\$8,913,992	107.2%	4,236,584	25,998,317	16.3%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the PERS.

Historical trend information for the Plan years 1979 (year of Plan inception) through 1989 designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in the Plan's separately issued financial statements.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of post service costs that were determined as of July 1, 1973, over a 25-year period commencing in 1974. Total pension expense so determined was \$2,299,000 and \$2,005,000 for the years ended June 30, 1990 and 1989, respectively.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums, when paid. This expense was \$460,000 and \$495,000 for the years ended June 30, 1990 and 1989, respectively.

## G. Deferred Compensation:

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were each \$5,516,000 and \$4,154,000 at June 30, 1990 and 1989. These amounts are included in the accompanying balance sheet under the captions Prepayments and other assets and Accounts payable and accrued expenses.



## NOTES TO FINANCIAL STATEMENTS

CONTINUED

**H. Contingent Liabilities and Commitments:****Contractual Obligations for Construction:**

Contractual obligations for construction were approximately \$83,482,000 at June 30, 1990.

**Interest Rate Swap Agreements:**

The Authority has entered into interest rate swap agreements to reduce the cost of fixed rate interest expense on its funded debt (See Note E). At June 30, 1990, the Authority had outstanding two interest rate swap agreements with an underwriter having a total notional amount of \$50 million. Under the terms of these agreements, the Authority will receive fixed interest payments of 6.68% beginning in May 1990 through May 1993 and 6.23% from June 1989 through June 1999 on a notional amount of \$20 million and \$30 million, respectively, and pay interest at a rate that varies with the J.J. Kenney index. This index was 6.03% at June 30, 1990. The agreements could be restructured to avoid any adverse risk to the Authority. The Authority does not anticipate any losses over the term of these agreements.

Interest expense was reduced for net differentials related to interest rate swap agreements by \$30,000 and \$95,000 for 1990 and 1989, respectively.

**I. In Lieu of Taxes:**

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$6,519,000 to these municipalities, of which \$5,476,000 is subject to annual adjustment through 1993 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from 1993 through 1999, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, deposits to the 1985 & 1988 Interest and Sinking Funds and deposits to the Maintenance Reserve Fund.

**J. Litigation:****Pending Initiative Petition**

The Massachusetts Constitution provides for the enactment of statutes by the voters' adoption of proposed legislation placed on the ballot by initiative petition. Several initiative petition proposals will appear on the November, 1990 statewide ballot including a measure known as the CLT Petition. The CLT Petition proposes to lower the state income tax rate and regulate the setting of fees and charges by state agencies and authorities, including the Authority. If enacted by the voters, the CLT Petition will become law on December 6, 1990. The Authority cannot predict whether the CLT Petition will be enacted by the voters.

Provisions of the proposed CLT Petition which may be held applicable to the Authority include, in summary: (a) that the fees and charges imposed by the Authority shall be no more than those in effect on June 30, 1988; (b) that such fees and charges be set at not less than the cost of providing the service or facility for which they are made; and (c) that fee levels would thereafter be determined by the state's Secretary of Administration, provided that any new fee and any increase or decrease in an existing fee would require the approval of the state legislature. The extent to which the petition applies to some of the varied revenue sources of the Authority is unclear. However, the CLT Petition appears to effectively repeal the provisions of the Enabling Act authorizing the Authority independently to fix fees and charges for its services and the use of its facilities.

If the CLT Petition is enacted, the Authority intends to pursue several courses to minimize the petition's possible adverse effects. These courses include (1) seeking judicial and legislative relief by narrowing the construction of the petition or achieving its amendment; (2) taking financial actions prudently and reasonably available, if any, to conserve its financial resources and maintain creditworthiness pending legislative and judicial relief; and (3) supporting efforts to obtain a legal determination by a court of competent jurisdiction that relevant provisions of the CLT Petition are an unconstitutional impairment of financial covenants made to Bondholders of the Authority. In light of the uncertainty of how the petition should be interpreted to apply to the Authority's varied revenue sources, the Authority cannot predict the effect of the CLT Petition on its operation and revenues during the period of any such challenge.

In the event that the CLT Petition were enacted, and its requirements were determined to effect the Authority, and legislative or judicial relief from its provisions were not obtained, or the Secretary of Administration and the legislature failed or refused to set fees and charges at appropriate levels, the Authority could be prevented from properly operating and maintaining certain of its properties or projects and the Authority's ability to meet debt service coverage requirements and assure payment of debt service on its Bonds could be adversely affected.

**Landing Fee Structure**

In May 1988 the Authority adopted a new landing fee structure at Logan Airport ("Airport") effective July 1, 1988. The new structure eliminated the use of aircraft weight as the exclusive basis to the fee and substituted a fee consisting of both a weight-based component and a "per landing" component. The new structure was challenged by litigation brought in the United States District Court for the District of Massachusetts and before the United States Department of Transportation ("DOT") by various parties (representing, in general, operators of small aircrafts and other similar interests). On December 22, 1988, DOT issued an Opinion and Order in which it found the July 1988 landing fee structure to be violative of certain federal aviation statutes. The Authority rescinded the landing fee structure on December 27, 1988.



## NOTES TO FINANCIAL STATEMENTS

CONTINUED

## J. Litigation, continued:

In April 1990 an action was filed with the United States District Court for the District of Massachusetts by three aircraft owners who allegedly landed their aircraft at the Airport during the period that the July 1988 landing fee structure was in effect. The plaintiffs seek a refund of amounts allegedly overpaid by them. They claim that the July 1988 fee structure resulted in higher costs to them than if a weight-based fee had been employed. The aggregate amount of plaintiffs' claims as a result of their own operations is believed to be not more than \$8,500 and immaterial in terms of the Authority's ability to meet its debt service obligations with respect to the Bonds. In addition to presenting their own claims, however, plaintiffs are seeking similar relief on behalf of a class apparently consisting of all operators of fixed wing aircrafts which paid fees under the July 1988 fee structure. Even if plaintiffs are awarded class certification, the amounts sought to be recovered on behalf of all members of the class are believed to be not more than \$2,700,000.

While the outcome of this matter cannot be predicted with certainty, the Authority's litigation counsel believe that the Authority has meritorious defenses, including claims against certain air carriers that paid smaller landing fees as a result of the July 1988 landing fee structure.

## Hazardous Waste Litigation

The Authority is co-defendant with Raytheon Corporation in a state court action filed by the Town of Bedford which claims that three drinking water wells owned by the Town were contaminated in 1983 by contaminants from Raytheon's nearby research facility and from Hanscom Field. This case is currently in the discovery stages. By letter dated November 17, 1986, the Authority's primary insurance carrier, United States Fire Insurance Company, agreed to pay all costs associated with the defense of this suit. United States Fire Insurance Company has reserved its rights concerning coverage.

A related federal court action also seeks relief against the United States Air Force and the United States Navy, as well as Raytheon and the Authority. It seeks recovery of all costs associated with cleaning up Bedford's contaminated wells and for damages to natural resources. The Authority and the other defendants filed motions to dismiss Bedford's natural resource damage claim. These motions are pending. United States Fire Insurance Company has also agreed to pay the Authority's defense costs in this matter and has reserved its rights with respect to coverage.

At this time, the Authority cannot estimate its exposure in either the federal or state court action. The Authority is vigorously defending the legal actions.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business.

Management, after reviewing all actions and proceedings, pending against or involving the Authority, believes the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material to its financial statements.

## K. Leases:

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately \$22,431,000 and \$21,957,000 for 1990 and 1989, respectively.

Minimum future rentals, excluding contingent rentals, from noncancelable operating leases as of June 30, 1990 are as follows:

	Amount (in thousands)
1991	\$ 16,440
1992	15,560
1993	15,210
1994	14,818
1995	13,955
Thereafter	233,705
	<u>\$309,688</u>

## L. Related Party:

In June of 1984 the Authority entered into a lease agreement, which expired in June of 1990 and was renewed through June of 1991, with The Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$1,312,000 for the year ended June 30, 1990 to the Commonwealth of Massachusetts. The Authority also entered into a contract which expired on June 30, 1990 and was renewed through June 30, 1991, to provide building management services for the State Transportation Building. Consideration for these services was \$288,000 for the year ended June 30, 1990. The Commonwealth of Massachusetts also reimbursed the Authority approximately \$747,000 for the year ended June 30, 1990 for direct building management expenses incurred by the Authority and approximately \$5,260,000 for the year ended June 30, 1990 for building expenses paid by the Authority on behalf of The Commonwealth of Massachusetts.

## M. Subsequent Event:

On July 12, 1990 the Authority issued Revenue Bonds, Series 1990-A, in the amount of \$90,935,000. The proceeds will be used to finance the construction of certain capital projects. The debt is comprised of serial bonds of \$22,800,000 and term bonds of \$68,135,000. The serial bonds mature annually from 1992 to 2005 at interest rates ranging from 6.5% to 7.2%. The term bonds of \$15,190,000 and \$52,945,000 mature in 2010 and 2020, respectively, and bear interest rates of 7.375% and 7.5%, respectively.



#### STB IS A WINNER.

The State Transportation Building was designated "The Greater Boston Area Office Building of the Year" by the Building Owners' and Managers' Association (BOMA). The STB was rated by a team of judges not only on the basis of interior and exterior design, but also on such criteria as management systems and procedures, handicap access, tenant relations, and community impact.

The Massachusetts Port Authority is an independent revenue bonding authority chartered by the Massachusetts State Legislature and supported by revenues from the facilities it owns and operates: Logan International Airport in East Boston; L.G. Hanscom Field in Bedford; Tobin Memorial Bridge; the public marine terminals in the Port of Boston; the Boston Fish Pier; the World Trade Center Boston at Commonwealth Pier; and other Boston waterfront development properties.

#### EQUAL OPPORTUNITY FOR ALL

In support of the basic principles of the Massachusetts Executive Orders, and in compliance with state and federal laws on affirmative action, Massport is committed to a program of effective affirmative action through institutionalized procedures that ensure equal opportunity in its personnel practices, daily operations, and business transactions.



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**Massport**

TEN PARK PLAZA

BOSTON, MASSACHUSETTS 02116-3971

TEL: (617) 973-5500

TELEX: 94-0365

FAX: (617) 973-5611

**Massport/New York**

WOOLWORTH BUILDING

233 BROADWAY, ROOM 818

NEW YORK, NEW YORK 10007

TEL: (212) 608-0775

FAX: (212) 962-6230

**Massport/London**

25 NEW BOND STREET

LONDON W1Y9HD, ENGLAND

TEL: 44 (71) 495-1978

TELEX: 22248

FAX: 44(71) 409-3053

**Massport/For East**

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4-4 KASUMIGASEKI 1-CHOME

CHIYODA-KU, TOKYO 100

JAPAN

TEL: (03) 506-9002

TELEX: 2227310 MASPTJ

FAX: (03) 506-9003



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Massport Annual Report

1991

An Economic Engine for New England

MASSPORT ANNUAL REPORT  
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## Executive Director's Message 1991 Annual Report

**T**hese are hard economic times for Massachusetts and New England. And Massport's job has never been more important – because we create jobs. Massport is an engine of economic recovery and growth.

Massachusetts has a priceless portfolio of economic resources: the world's best universities and hospitals; a workforce that will never quit; entrepreneurs who are world leaders in "new tech"; a uniquely rich quality of life; and a world-class capital city with global recognition and appeal.

But to take advantage of that portfolio – to make it pay off in growth and jobs – Massachusetts must meet two challenges head-on: we must trade, and we must build.

That's where Massport comes in. We help businesses move goods, services, and people, by land, air, and sea, to every corner of the globe – and move them quickly, safely, and efficiently.

Last year at Logan International Airport, the 15th busiest airport in the world, we supported the New England economy by moving 22 million passengers and over 786.5 million pounds of cargo and mail. Through Desert Storm and Hurricane Bob, we've done the job. From our brand-new high tech

communications center in the control tower, to our award-winning customer service on the ground, our goal is simple – to run the best airport in America.

Logan is the most important gateway to the New England economy, but it is not the only gateway, and certainly not the oldest. The Port of Boston ships over \$8 billion worth of goods each year, including over a million tons of containerized cargo at Massport's Conley and Moran Terminals.

In recent years we saved Boston's fishing and fish processing industries by rebuilding the Boston Fish Pier. We revived Boston's moribund cruise ship industry by building and marketing the Black Falcon Cruise Terminal. Working with private entrepreneurs, we preserved the East Boston Shipyard, turned Charlestown's abandoned Hoosac Pier into Constitution Plaza and Marina, and helped grand old Commonwealth Pier start a new life as the World Trade Center Boston.







Every year we work harder to turn the airport and seaport into international business. In 1991, Massport went after direct air service to Tokyo and a new ocean cruise itinerary to Canada – and won them both. We opened one of the most modern air cargo centers in the world, and we set a new record for containerized exports shipped through the Port of Boston.

This year, Massport is investing \$7.5 million to promote international trade and tourism. We are helping local companies find export markets from Taiwan to Kuwait. We sponsored Governor Weld's trade mission to Asia last fall,

and we are sponsoring his and Lt. Governor Cellucci's mission to Europe this spring. In 1992, when a single European market finally emerges, Massport and Massachusetts will be there to stake a claim to the "Atlantic Decade." Because international tourism is a \$2 billion industry, we're selling New England vacations in Japan, England, and the European continent.

And to top off 1992 as a year of international events, Massport is a key player in "Sail Boston" – this summer's visit of the world's tall ships.

Now is also the time to shape tomorrow's airport and waterfront. Massport is already one of the biggest builders in New England. Every investment brings a double benefit – construction jobs today, and the infrastructure for world



trade tomorrow. Massport has targeted \$100 million a year in construction, with even higher volumes on the drawing board for the mid-1990s. All told, we are planning some \$2 billion in construction in the next decade

At Logan, we will invest over a billion dollars in a sweeping, decade-long modernization program that will enable us to handle at least 37 million passengers with greater efficiency – and no greater environmental impact – than the 22 million passengers served today. The changes will be dramatic: a replacement for Terminal A; a bigger, better international terminal; a whole new ground transportation system; and



a new Hilton Hotel. Behind the scenes, a new fueling system and a state-of-the-art fire and rescue complex will keep Logan at the top of the list of safe, environmentally sound airports.

Our plans to rebuild the waterfront are no less ambitious. Massport's development partners are already building the Harborside Conference Center and Hotel on the waterfront at Logan. The dramatic next phase of the World Trade



Center will spearhead the redevelopment of the South Boston waterfront and the expansion of Boston's downtown economy across Fort Point Channel. A waterfront park and lobster terminal will turn an abandoned stretch of the East Boston Piers into an economic and recreational treasure.

And at the seaport proper, Massport is preparing a major expansion of Conley Terminal – so that the world's newest cargo ships can come to Boston.

Today, as in the past, Massport is an engine of economic recovery and growth. Our existing operations – before we build another square foot – pump over \$5 billion a year into the New England economy. The overwhelming majority of that activity is private. At Logan, where 15,500 men and women earn their living, barely 500 are Massport employees. Over 6,000 people draw their livelihood from Massport's maritime terminals and waterfront developments – but fewer than 200 of them are Massport employees.





Massport's facilities operate without a dime of state or local tax money. Because we can issue bonds backed by our own revenues; because we can lease our land and facilities to private businesses; and because we have earned a top-notch bond rating on Wall Street, our construction program won't require state or local tax dollars either.

What we do need is continued respect for our financial stability and independence.

Massachusetts and New England will beat this recession. We will trade our way out of it. We will build our way out of it. We will work our way out of it. And Massport will be there, every step of the way.

A handwritten signature in dark ink, appearing to read "Alden S. Raine".

Alden S. Raine

Executive Director





**Priority Agenda:  
Building for the future with  
trade and tourism.**

**M**assport has always served as a catalyst for regional economic development and job generation. Here at home, we are moving ahead with \$2 billion in construction and renovation projects for our air and sea ports. Overseas, we will be aggressively pursuing new trade and tourism opportunities to ensure maximum economic utilization of those vital transportation resources today, and tomorrow.

Those massive construction projects will provide thousands of jobs and a badly needed regional economic boost in the short term, while creating world-class transportation facilities for the future.

Likewise, Massport's aggressive new \$7.5 million trade and tourism initiative will help to get us out of the current recession, while positioning New England to fully participate in the new world economy now taking form in Europe and elsewhere.



**Trade development key to export growth.**

Massport's Trade Development Unit works with hundreds of local companies to increase their import and export activities, and thus expand the amount of cargo being shipped through the seaport and the airport.

Last year, Massport's public marine terminals handled more than one million tons of general cargo and 73,405 autos, while Logan Airport moved another 786.5 million pounds of air cargo and mail.

To increase that shipping activity, Massport's trade unit has helped local companies develop individual export strategies that work. They also promote local businesses at international trade shows, and last spring sponsored New England business representatives at the first trade show in postwar Kuwait.

Massport currently has trade offices in the UK and Tokyo, as well as a representative in Taiwan; plans are underway to establish a presence in additional key markets including Mexico, Hungary, Singapore, and Germany. In the coming year, Massport will lead sales trade



missions to numerous world-wide destinations, including a trip with the Governor and Lt. Governor to strategic European cities.

And the Trade Development Unit will soon offer a computerized marketing system to assist area exporters with trade leads, marketing reports, and trade show schedules.

As more and more New England businesses look to the markets of Europe, Latin America, Asia, and Africa to buy and sell goods, more and more are looking to Massport to find out how it's done.

**Tourism efforts provide boost to economy.**

Massport actively promotes tourism to Massachusetts and New England. Last year, Logan Airport, Hanscom Field and the Black Falcon Cruise Terminal brought over 11 million incoming visitors and tourists to the region.

Through the years, Massport's efforts have helped make tourism an \$11 billion industry in Massachusetts... the state's second largest! In the months and years ahead Massport will be working harder than ever to bring tourist dollars to the region.

Last fall approximately 330,000 transatlantic visitors passed through Logan Airport, and each spent an estimated \$792 while they were here. Massport's aggressive marketing in Europe helped create that \$263 million boost to our local economy. Joint advertising efforts

in Europe with airlines such as Northwest proved successful in promoting Boston and New England as tourism destinations.

And Boston's seaport also broke tourism records this year with a 45 percent increase in the number of passengers booking ocean cruises. Over 16,000



cruise vacationers passed through Massport's Black Falcon Cruise Terminal in 1991, generating more than \$9 million in direct and indirect economic benefits for the region.

It happened because Massport made it clear to cruise line operators that their needs were understood, and would be met. That's why Seabourn Cruise Line made a decision to "home-port" in Boston during 1991. As a result, thousands of passengers arrived and departed through Boston, using Logan Airport as well as local hotels, restaurants, shops and attractions.

And those successful tourism efforts have already been expanded for the coming year.



## The people who make Logan go.

**F**ifteen-thousand-five-hundred people work at Logan Airport, but only about three percent – 534 people – are Massport employees.

Under the lead of Aviation Director Jane Garvey, these employees are responsible for the safe and efficient operation of what amounts to a small city...complete with its own police and fire department.

And along with delivering safety and service today, they are charged with ensuring that Logan Airport continues to meet the region's aviation needs for decades to come.

**One of America's best airports is getting better.**

**Logan Airport today.** Today's Logan Airport – America's tenth busiest – is a world-class operation.

In terms of safety, customer service, and cleanliness, Massport runs an airport that is second to none. Like any well run business, Massport succeeds by letting its customers – in this case airline passengers – know that they are important.

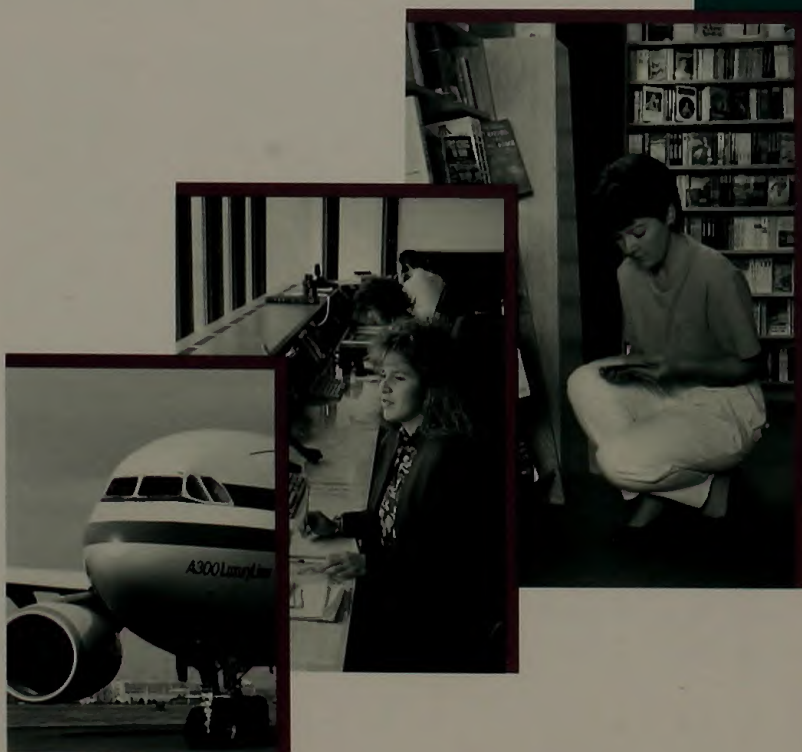
**Helping get the economy off the ground.**

Those passengers are also important to our regional economy. Airport-related activities, including passengers and freight, now generate \$3.85 billion in economic benefits. While Massport directly employs only 534 people at Logan, it is the workplace for 15,500 people... and the site of some 100 private businesses.

**Award winning performance.** Massport's accent on treating passengers right has won national praise. This year, *Travel*

*The numerous public agencies and private companies at Logan*

*contributed \$175.4 million to the area's economy by purchasing \$115.4 million in local goods and services; and spending an additional \$60 million on building renovations, construction, and other capital improvements.*







and *Leisure Magazine* named Massport a winner of its first "Mark of Innovation" award to salute outstanding service in the travel industry.

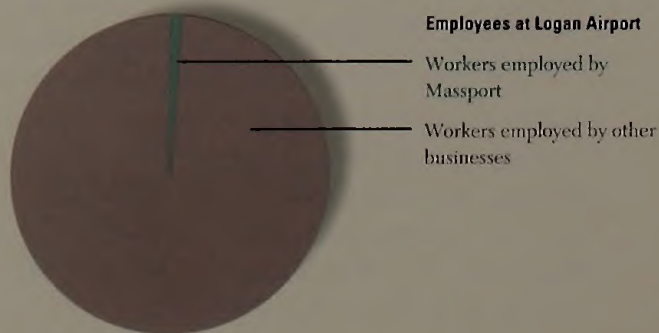
Last year a *U.S. News and World Report* survey ranked Logan second in the nation, while *Money Magazine* named Logan the number one airport for passenger services in 1989.

That's because Massport knows, as our public service campaign points out, that **"Airports are for people, too."** Last year 22 million passengers passed through Logan Airport, and we tried to let each one of them know they are important to us.

**Going the extra mile for service.** Like any good business, Massport's success stems from giving customers what they want...even if that means going beyond conventional ideas of how an airport should be run.

That's why Massport:

- invested millions of dollars in ground transportation initiatives such as the Logan Express buses from Braintree and Framingham, and the Airport Water Shuttle to Rows Wharf;
- created Kidport, a play space in Terminal C designed by the Boston Children's Museum;
- distributed tens of thousands of copies of *New England Air Traveler's Bill of Rights*, *The International Travelers Guide to Logan Airport*, *When Kids Fly*, and other free publications;





- provided roaming Logan Ambassadors in terminals to give directions and other information;
- employed translators fluent in 14 languages serving international travelers at newly redesigned Logan Information Booths; and
- made it easier, safer and more pleasant to park at Logan by building a covered overhead walkway from Terminal E direct to the Central Parking Garage.

#### **Sound neighborhood policies.**

Passengers aren't the only people who matter. Massport recognizes its obligation to be a good neighbor to those who live near Logan.

In FY91 Massport continued to sound insulate local homes and has completed a grand total of close to 1,000 housing units, as well as 31 schools. We continue to strictly enforce noise rules, and insist on the introduction of new, quieter aircraft.

As a result of our strong noise regulations, today a full 57 percent of the planes flying out of Logan are the quietest "Stage III" variety...well above the national average. And we've installed a modern new noise monitoring system to ensure better data.

The result? Since 1974, we've doubled the number of people flying out of Logan Airport, while reducing overall noise levels.

Massport is also planning something brand new – a greenbelt of parks and open space around the airport. It began years ago with the creation of "Harborwalk" along the Bird Island Flats edge of the airport. It grew this

year with the reconstruction of a dilapidated Little League field, and the groundbreaking for a conference center/hotel that will bring people right out to where the airport meets the harbor. And in the coming years, the greenbelt will encompass new parklands along the airport's southern and western boundaries, as well as a regional waterfront park on the East Boston Piers.



#### **The Central Artery/Tunnel Project**

Massport has long supported the Artery/Tunnel project and with good reason: it will help accommodate passenger growth at Logan in the most environmentally acceptable way; it will link our air and sea cargo facilities to the interstate highway system; and it will enhance the value of our development properties in South Boston.

After years of anticipation, the project has begun, with tunnel construction under way at Massport facilities. Our



cooperative efforts with the state highway builders have produced:

- detailed agreements on how the tunnel will traverse the seaport and airport, how the properties will be conveyed to the state, and how the construction impacts will be managed; a land swap agreement which will allow the Tunnel/Route 1A interchange to be built and a buffer park created in East Boston; and
- an agreement to use Massport property in South Boston for key elements of the tunnel construction project, such as barging and tunnel outfitting.

**Where Logan is going.** Massport has begun the planning and environmental work for a massive ten-year, \$1-1.5 billion modernization plan to update Logan Airport for the 21st century. The plan requires no state tax money... it relies on Massport's fiscal stability and solid bond rating.

Thousands of construction jobs will be created through the building of new terminals, roadway systems, parking garages, an expected new Hilton Hotel, remote parking and terminal facilities, environmental and safety improvements, and public parks. This massive investment will ensure that New England's largest airport can meet the passenger and cargo demands of a competitive new world economy, while becoming an even better neighbor.

All these site improvements and renovations will take place within the existing confines of airport property and within the existing runways, permitting Logan to get better...without getting bigger.



We've already had a taste of Logan's future. Work has been completed on six new air cargo buildings, as construction begins on a new 270-room, \$40 million Harborside Conference Center and Hotel. But those are just a prelude to the complete overhaul we are now planning – with its thousands of construction jobs and a dramatic, 21st century airport at the end.

**21st century safety, today.** And we've just completed work on a new \$1 million dollar state-of-the-art communications center that integrates all airport information systems.

This new high tech, electronic nerve center links reports from police, fire, F.A.A., and others about weather, field conditions, emergencies and other vital information into one centralized location.

We have also recently announced a series of five new fire safety improvements that will significantly enhance our ability to save lives in an emergency. They include a new central fire station and a new satellite fire station. These improvements, plus \$1 million in new emergency equipment and 15 additional fire fighters, will dramatically reduce response time to no more than two minutes in an emergency.



## Massport's Hanscom team makes a difference.

**W**hile over 350 people work at Hanscom, only 20 are Massport employees. It's their job to maintain and upgrade existing facilities, as well as plan for new ones.

Massport's team also works with local leaders and elected officials to be a good neighbor to surrounding towns.

### **Important services for important businesses.**

**Hanscom today.** Easy access to general aviation facilities is an important consideration for businesses making siting decisions.

And Hanscom Field, New England's busiest general aviation airport, has been an important factor in the establishment and development of high tech, research and development, and other businesses around the Route 128 corridor.

Last year Hanscom saw nearly a quarter million takeoffs and landings by commuter carriers, charters, light cargo and military planes, and private pilots flying for recreation or business.

Twenty-eight private companies at Hanscom employ over 350 people in jobs ranging from flight training and aircraft repair to electronics and research and development. All told, the economic impact of Hanscom on the local economy added up to over \$57,590,000 last year alone.

Over the years Massport has invested more than \$24 million – including over \$7 million in federal grants – to improve and update Hanscom Field. That commitment will continue in the years ahead.

*The 28 private companies located at Hanscom Field employed 350*

*people, and generated over 6 million dollars worth of business last year. In addition, businesses and government agencies at Hanscom spent almost \$2.6 million locally in FY 91 for various goods and services.*







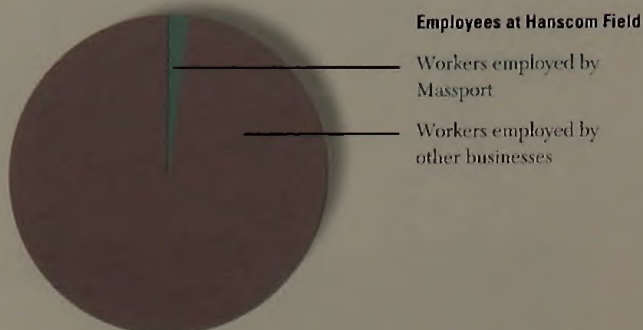
**The future at Hanscom.** During fiscal 1992, Massport will invest \$590,000 in improvements to Hanscom Field, on top of a similar investment last year. The work will involve upgrading taxiway lighting systems, paving perimeter roads and rehabilitating a taxiway.

And despite the fact that Hanscom last year won the national "Colonel Bernt Balchen Award" for its snow and ice removal operations, Hanscom is not sitting on its laurels. Massport has begun a new \$400,000 project to improve snow and ice removal by enlarging Hanscom's sand storage capacity and expanding the current maintenance facility.

Two major new technological systems are also being added at Hanscom this year. The first is an automated surface weather observation system funded

by the F.A.A. The other is a sophisticated noise monitoring system, designed to ensure greater accountability and better response to concerns of local neighbors.

Two important studies will proceed in the coming year: an F.A.A. sponsored study addressing local noise concerns; and a study updating recent trends and potential growth in aviation at Hanscom.





## The Port Authority's authorities on the port.

**M**assport's 95 maritime employees are responsible for the operation, maintenance, marketing and future development of Boston's commercial seaport operations.

In addition, 50 employees of Massport's real estate and regional development department work to revitalize and redevelop obsolete port properties.

### **Preserving the waterfront for freight, fishing, and family fun.**

**Boston's waterfront today.** From the very beginning, Boston Harbor has been a vital economic, transportation, and recreational resource for the entire region. Through the years the waterfront has been threatened by economic blight, decaying infrastructure, inappropriate development, environmental abuse, and restricted public access.

In recent decades, Massport has been proud to take a lead role in correcting these deficiencies, and acting as a principal advocate for the enhancement of Boston's waterfront.

**The Port of Boston.** A few decades ago, a crumbling infrastructure, the switch to containerized cargo, labor/management unrest, and the opening of the St. Lawrence Seaway combined to push Boston's seaport into serious decline.

Since 1959, Massport has enthusiastically tackled the job of rebuilding the harbor and fostering its economic development. Massport will never directly recover the hundreds of millions of dollars it has spent rebuilding the port, but that investment pays dividends every day for our regional economy by

*Massport's waterfront facilities, including a revitalized seaport*

*and some of the most exciting development properties on Boston Harbor, provided private jobs for over 6,000 people and generated over \$1.3 billion in economic activity.*







ensuring competitively priced access to international markets.

This year alone, the port handled nearly 20 million tons of cargo worth \$8 billion.

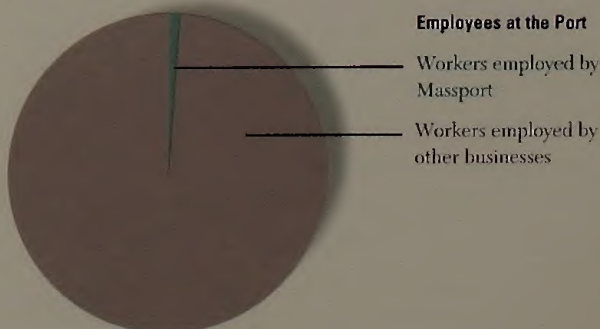
**Paying the freight.** Unlike many other nations, the U.S. makes no federal funding available for its ports. And unlike many other American ports, Boston's seaport receives no state, local, or county taxes to subsidize its operation.

Instead, Massport finances port improvements through three sources: revenue bonds, user fees, and revenues earned from the redevelopment of former maritime properties...such as the World Trade Center Boston.

**A strong, world-class port.** In the last ten years, Massport has invested close to \$200 million in the seaport. Much

of that money went towards the upgrading of Massport's three public terminals – Moran Container Terminal in Charlestown, and the Conley and Harbor Gateway Terminals in South Boston – into state-of-the-art facilities.

Today, those investments, plus Massport's successful work in containing costs and achieving labor stability, are paying off for New England businesses in terms of better services and competitive rates. In fact, those low shipping rates mean competing modes







of transportation must also keep costs low, reducing the cost of doing business in New England.

And that gives our region an edge over the competition in today's tough new world markets.

**A wider role in revitalizing the waterfront.** Through the years Massport's role in the harbor has evolved into something much wider than reinvigorating the shipping business.

Massport has become a main player on Boston's waterfront – a force for good planning, preserving marine-related activities, quality development, and public access to the harbor's edge.

*Massport's Black Falcon Cruise Terminal* has rejuvenated Boston's once thriving cruise ship business. The calendar 1991 cruise season saw a 45 percent increase in activity at the Terminal, and that added \$9 million to the local economy. Now Seabourn, Cunard, Royal, Royal Viking, Celebrity, Crystal, and many other cruise lines make calls in New England's largest port.

*The World Trade Center Boston* transformed the nearly vacant Commonwealth Pier into an important contributor to the region's economy.

With nearly a million square feet of office space, exhibition areas, a conference center, and docking facilities, it has played host to a series of successful trade shows and exhibitions – including an invasion by some very popular dinosaurs. Now plans to construct World Trade Center II in the Commonwealth Flats area of South Boston are moving ahead.

*The Boston Fish Pier* was in ruins in the 1970s. Massport has invested over \$30 million, along with \$8.5 million in federal grants, to create a clean and modern facility where 60 fishing boats and 19 fish processing companies now operate. And 80,000 square feet of prime waterfront office space generate revenue to help subsidize the fishing operations.

The *Boston Marine Works* ship repair yard in East Boston, a partnership between Massport and Cashman Marine Enterprises, has created good jobs and saved a prime waterfront property for another generation of maritime use.



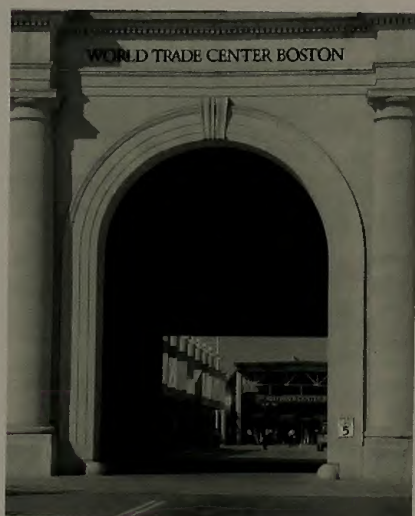
And at *Constitution Marina* in Charlestown, Massport helped a private developer named Bosport transform a decaying and underutilized piece of waterfront property into an attractive, job-generating facility.

#### **The future of Boston's waterfront.**

Massport will continue to take a leadership role as the waterfront's patron and advocate in the crucial years ahead.

**\$50 million upgrade for Conley.** In September we began the \$50 million modernization of Conley Terminal in South Boston, permitting the servicing of new larger, taller ships. That project involves:

- installing two new post-Panamax cranes;
- adding another 1,000 feet of berth;
- and paving an additional 20 acres for trucks and the storage of containers.



**Dredging up the future.** We've also taken a leadership role in working with the US Army Corps of Engineers on plans to dredge Boston Harbor. Massport serves as local sponsor of the project, devoting time, money, and staff to a plan that will soon deepen shipping channels and allow modern, larger vessels to use the harbor regardless of the tides.

Important environmental and funding questions remain to be worked out before scheduled work begins in the spring of 1994. Massport will continue to work closely with local, state, and federal officials to resolve the questions and get the project under way.

**A place for lobsters, and people.** In East Boston, Piers 3 and 4 will be rebuilt as one of New England's most beautiful waterfront parks. All told, our East Boston Piers project will turn an all-but-abandoned eyesore into an economic and recreational resource for people and families.

And next door, plans are under way to redevelop Massport's Pier 5 as a new, centralized lobster terminal with docking, servicing, and unloading facilities for lobster boats.



## Tobin Bridge...it's more than steel and concrete.

**I**t takes 50 Massport employees to keep traffic moving safely on New England's largest bridge. They collect the tolls, analyze traffic data, tow broken-down cars, and constantly maintain the massive steel, concrete, and asphalt structure.

The Bridge staff also works at being good neighbors to the cities of Boston and Chelsea by listening, and responding to community concerns.

### **The Tobin Memorial Bridge, the way north for 41 years.**

**Tobin Bridge today.** Since 1959, Massport has invested over \$86 million in keeping New England's largest bridge in top shape. This year's work generated about 38 full-time construction jobs.

As one of Boston's primary links with the North Shore and northern New England, the Tobin Memorial Bridge carries about 23 million commuters, tourists, and truckers a year, and this year made a \$13.3 million contribution to the regional economy.

**CANA Cooperation.** For the past several years Massport has worked closely with the Commonwealth's Department of Public Works (DPW) and the City of Boston during the ongoing construction of the Central Artery North Area project in Charlestown's City Square. Massport is working to ensure that the project improves traffic flow and safety, while removing the viaducts that have shadowed City Square for decades.

### *Bridge operation and maintenance requires yearly pur-*

*chases of nearly \$7.7 million in goods and services from local suppliers, creating 50 permanent and 38 construction jobs, while pumping \$13.3 million into the local economy.*







**Community spirit.** Recognizing that the Tobin Bridge imposes a burden on Charlestown and Chelsea residents, Massport has worked to lessen the load in various ways, including:

- replacing soil near the bridge to remove lead residues (regardless of the source), while removing old lead paint from the bridge itself;
- soundproofing three Chelsea schools; and
- working with the Charlestown Neighborhood Council to beautify Massport-owned property under the bridge.

#### **Tobin's future.**

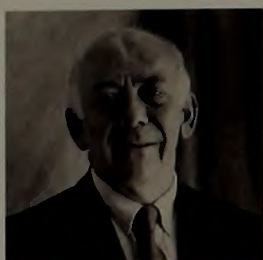
##### **\$80 million in repairs and updating.**

Massport is well under way with its ten-year, \$80 million project to redeck, repave, and modernize the entire bridge. We are replacing the toll plaza with new toll booths which will use state-of-the-art technology to maximize speed, efficiency, and safety. Finally, we have begun to repaint the bridge, with the most advanced lead-paint containment system. All construction work is on schedule and on budget.



## Massport Board Members

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.



Richard A. Giesser, chairman, is a management consultant. Term expires 1995.



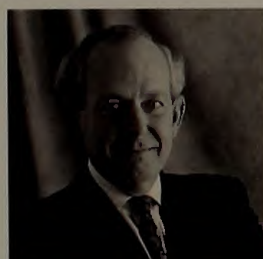
Jacquelyn R. Smith is the financial manager of Bicknell & Smith, a law firm in Cambridge, Massachusetts. Term expires 1994.



Charles M. Raso, vice chairman, is the business manager of the Bricklayers and Allied Craftsmen Union, local #3, in Boston. Term expires 1993.



Carolyn P. Partan is a real estate attorney at the Boston law firm of Hale and Dorr. Term expires 1996.



Paul F. Nace, Jr. is a real estate developer and consultant in Boston. Term expired 1991.\*



Frederick P. Salvucci is a principal research associate at MIT's Center for Transportation Studies. Term expires 1997.



John A. Vitagliano is tunnel superintendent for the Massachusetts Turnpike Authority. Term expires 1992.



Paul W. Cronin is president of Highline Industries, Inc., a manufacturing company headquartered in Lawrence, Massachusetts. Term expires 1998.\*

\* Mr. Paul W. Cronin replaces Mr. Paul F. Nace, Jr. whose term expired in June, 1991.



## Report of Independent Public Accountants

To the Members of the Massachusetts Port Authority:

We have audited the accompanying balance sheet of the Massachusetts Port Authority (a public instrumentality of the Commonwealth of Massachusetts) as of June 30, 1991, and the related statements of income, changes in fund equity and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of June 30, 1990, were audited by other auditors whose report dated September 12, 1990, except for the last paragraph of Note A, as to which the date is September 19, 1991, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1991, and the results of its operations and its cash flow for the year then ended, in conformity with generally accepted accounting principles.

*Arthur Andersen & Co.*

September 19, 1991



## Balance Sheet

June 30, 1991 and 1990 (in thousands)

	1991	1990
<b>Assets</b>		
Cash and cash equivalents (Notes A and C)	\$11,621	\$7,197
Investments (Note C)	2,307	21,951
Accounts receivable, net of allowance for doubtful accounts of \$8,211 and \$2,534 in 1991 and 1990, respectively	16,183	17,970
Accounts receivable - grants (Note A)	11,345	5,856
Prepayments and other assets, net (Note J)	12,143	7,912
Assets whose use is limited, including cash and cash equivalents of \$22,903 and \$14,255 in 1991 and 1990, respectively (Notes A, C, and G)	306,825	228,670
Investments in facilities (Notes A and D):		
Facilities completed	987,380	936,517
Less accumulated depreciation	(422,492)	(388,973)
	564,888	547,544
Construction in progress	96,805	69,953
Net investment in facilities	661,693	617,497
<b>Total Assets</b>	<b>\$ 1,022,117</b>	<b>\$ 907,053</b>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Notes G and J)	\$32,399	\$ 26,709
Accrued compensated absences (Note A)	6,064	5,428
Accrued pension cost (Note F)	3,787	4,213
Accrued interest payable	17,781	14,423
Funded debt (Note E)	464,083	379,844
Total Liabilities	524,114	430,617
Deferred income	2,058	1,863
Contingent liabilities and commitments (Notes H, J and K)		
<b>Fund Equity (Notes A, B and C)</b>		
Accumulated fund equity	425,173	407,364
Contributed capital, grants-in-aid of construction	70,772	67,209
Total Fund Equity	495,945	474,573
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,022,117</b>	<b>\$ 907,053</b>

The accompanying notes are an integral part of these financial statements.



## Statements of Income

For the years ended June 30, 1991 and 1990 (in thousands)

	1991	1990
<b>Revenues (Note B)</b>		
Tolls, fees and sales of services	\$ 110,773	\$ 107,081
Rentals (Note K)	44,046	40,065
Concessions (Note K)	22,388	24,847
Income on investments (Notes A and B)	17,583	17,072
Other (Note L)	5,049	4,883
<b>Total Revenues</b>	<b>199,839</b>	<b>193,948</b>
<b>Expenses (Note B)</b>		
Operations and maintenance	78,832	73,558
Administration	31,101	28,756
Insurance	2,471	2,763
Pension costs (Note F)	2,339	2,299
Interest (Notes A, H and J)	24,990	24,833
Payments in lieu of taxes (Note I)	6,528	6,519
Provision for uncollectible accounts	5,677	1,719
Depreciation and amortization, including \$3,890 in 1991 and \$3,473 in 1990 on assets acquired with contributed capital, grants-in-aid of construction (Note A)	33,982	32,332
<b>Total Expenses</b>	<b>185,920</b>	<b>172,779</b>
<b>Net Income</b>	<b>\$ 13,919</b>	<b>\$ 21,169</b>

The accompanying notes are an integral part of these financial statements.



## Statement of Changes in Fund Equity

For the years ended June 30, 1990 and 1991 (in thousands)

	Accumulated Fund Equity	Contributed Capital, grants-in-aid of construction	Total Fund Equity
<b>Balance, July 1, 1989</b>	<b>\$ 382,722</b>	<b>\$ 62,628</b>	<b>\$ 445,350</b>
Net income	21,169	—	21,169
Contributed capital, grants-in-aid of construction (Note A)	—	8,054	8,054
Transfer of depreciation to contributed capital (Note A)	3,473	(3,473)	—
<b>Balance, June 30, 1990</b>	<b>\$ 407,364</b>	<b>\$ 67,209</b>	<b>\$ 474,573</b>
Net income	13,919	—	13,919
Contributed capital, grants-in-aid of construction	—	7,453	7,453
Transfer of depreciation to contributed capital	3,890	(3,890)	—
<b>Balance, June 30, 1991</b>	<b>\$ 425,173</b>	<b>\$ 70,772</b>	<b>\$ 495,945</b>

The accompanying notes are an integral part of these financial statements.



## Statement of Cash Flows

For the years ended June 30, 1991 and 1990 (in thousands)

	1991	1990
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 173,015	\$ 172,882
Cash payments		
For goods and services	(62,244)	(65,983)
To employees for services	(45,079)	(41,744)
Payments in lieu of taxes	(6,528)	(6,519)
<b>Net cash provided by operating activities</b>	<b>\$ 59,164</b>	<b>\$ 58,636</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Grants-in-aid of construction	\$ 4,252	\$ 15,338
Acquisition and construction of capital assets	(80,534)	(65,682)
Proceeds from sale of revenue bonds	90,935	—
Principal paid on funded debt	(5,965)	(4,735)
Interest paid on funded debt	(30,976)	(30,575)
Proceeds from sale of equipment	4	1
<b>Net cash used for capital and related financing activities</b>	<b>\$ (22,284)</b>	<b>\$ (85,653)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	\$ (1,368,739)	\$ (948,881)
Proceeds from sale and maturities of investments	1,327,487	964,527
Interest on investments	17,444	16,704
<b>Net cash (used for) provided by investing activities</b>	<b>\$ (23,808)</b>	<b>\$ 32,350</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$ 13,072</b>	<b>\$ 5,333</b>
<b>Cash and cash equivalents, at beginning of year</b>	<b>21,452</b>	<b>16,119</b>
<b>Cash and cash equivalents, at end of year</b>	<b>\$ 34,524</b>	<b>\$ 21,452</b>

The accompanying notes are an integral part of these financial statements.



## Statement of Cash Flows, continued

For the years ended June 30, 1991 and 1990 (in thousands)

	1991	1990
<b>Reconciliation of net income to net cash provided by operating activities</b>		
Net income	\$ 13,919	\$ 21,168
Less interest income	(17,583)	(17,072)
Add interest expense	24,990	24,833
Add loss on sale equipment	129	27
Operating income	\$ 21,455	\$ 28,956
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	33,982	32,332
Provision for uncollectible accounts	7,306	1,719
Change in assets and liabilities		
Increase in accounts receivable	(5,519)	(3,900)
Increase in prepaid expenses and other	(3,988)	(2,293)
Increase in accounts payable	5,523	1,709
Increase in accrued compensated absences	636	635
Decrease in accrued pension cost	(426)	(401)
Increase (decrease) in deferred income	195	(121)
Total adjustments	37,709	29,680
<b>Net cash provided by operating activities</b>	<b>\$ 59,164</b>	<b>\$ 58,636</b>

The accompanying notes are an integral part of these financial statements.



## Notes to Financial Statements

The Massachusetts Port Authority (the Authority) is a public instrumentality created by an act of the Legislature of The Commonwealth of Massachusetts (the Enabling Act), effective June 21, 1956. The Authority controls, operates and manages Boston-Logan International Airport, Hanscom Field, Maurice J. Tobin Memorial Bridge and other facilities in the Port of Boston. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (the Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### Note A. Summary of Significant Accounting Policies

**Assets Whose Use is Limited** The balance sheet caption, "assets whose use is limited" represents restricted or trustee assets under the Trust Agreement that are earmarked to fund certain activities of the Authority such as construction of new facilities and debt service. Deferred compensation (see Note C) is included under this caption.

**Statements of Cash Flow** For purposes of the statements of cash flow, the Authority considers all highly liquid investments (including assets whose use is limited) with a maturity of 30 days or less when purchased to be cash equivalents.

**Investments** Investments in U.S. Government obligations and agencies of the U.S. Government are recorded at amortized cost, which approximates market value including accrued interest. Investments in repurchase agreements are recorded at cost including accrued interest.

**Self-Insurance** The Authority, as mandated by the Trust Agreement, maintains a self-insurance account within the operating fund (see Note C). The Authority is partially self-insured for major catastrophe-type risks over established insurance limits. Investments related to the self-insurance fund are included within "assets whose use is limited" in the accompanying balance sheet. All other risks are insured with the Authority's exposure being limited to the deductible amount. In the opinion of the Authority's management, based on consultation with legal counsel, payments of claims by the Authority for amounts not covered by insurance in the aggregate are not expected to have a material, adverse effect on the accompanying financial statements.

**Investments in Facilities** Facilities are carried at cost and include the expenditure of federal grants-in-aid of construction and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed capital as earned and amortized on the straight-line method over the service lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred.

**Depreciation** Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets

beginning in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

**Interest Capitalization** The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$9,344,000 and \$3,982,000, reduced by interest income of \$6,883,000 and \$3,507,000 for the years ended June 30, 1991 and 1990, respectively, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments as reflected in the accompanying statements of income.

**Accounting for Compensated Absences** The Authority accrues for vested vacation and sick pay when it is earned. The liability for vested vacation and sick pay is reflected in the accompanying balance sheet under the caption accrued compensated absences.

**Financial Statement Reclassification** Certain accounts in the June 30, 1990 financial statement have been reclassified to conform with the June 30, 1991 presentation. The statement of changes in financial position in 1990 has been replaced with the statement of cash flows in order to conform with the provisions of Statement No. 9 of the Governmental Accounting Standards Board.

### Note B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Interest and Sinking Fund (which are applied to debt service on any outstanding bonds other than the Revenue Refunding Bonds, Series 1978), the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



## Notes to Financial Statements

### Note B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued

Under the provision of the Trust Agreement, all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Funds, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year.

Presented below are the 1991 and 1990 revenue and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to net income as presented in the Statements of Income under generally accepted accounting principles (GAAP). (For Trust accounting purposes, the provision for uncollectible accounts is included within the revenue caption.)

(Dollar Amounts in Thousands)								
							1991	1990
	Bridge	Airport Properties	Port Properties Maritime	Port Properties Development*	Facilities Management	Income on Investments	Total	Total
<b>Revenues, Net</b>								
1978 Pledged Revenues	\$ 5,468	\$ 70,533	\$ —	\$ —	\$ —	\$ 16,543	\$ 92,544	\$ 93,389
Other	—	74,414	20,025	5,003	1,095	1,040	101,577	98,805
	\$ 5,468	\$ 144,947	\$ 20,025	\$ 5,003	\$ 1,095	\$ 17,583	\$ 194,121	\$ 192,194
<b>Operating Expenses</b>								
Operations and Maintenance	\$ 2,879	\$ 57,338	\$ 15,549	\$ 2,636	\$ 430	\$ —	\$ 78,832	\$ 73,559
Administration	1,823	22,357	4,672	1,706	543	—	31,101	28,757
Insurance	335	1,870	586	231	62	—	3,084	3,243
Pension (Note F)	185	2,020	377	128	55	—	2,765	2,700
	\$ 5,222	\$ 83,585	\$ 21,184	\$ 4,701	\$ 1,090	\$ —	\$ 115,782	\$ 108,259
<b>Excess (Deficit) of Revenues Over Operating Expenses Under Trust Agreement</b>								
	\$ 246	\$ 61,362	\$ (1,159)	\$ 302	\$ 5	\$ 17,583	\$ 78,339	\$ 83,935
<b>Add</b>								
Self insurance cost (1)	34	449	97	26	6	—	612	481
Pension adjustment (3)	23	314	67	18	4	—	426	401
Difference on loss of sale of equipment (4)	2	31	7	2	—	—	42	35
<b>Less</b>								
Payments in lieu of taxes (2)	(354)	(4,996)	(902)	(276)	—	—	(6,528)	(6,519)
Interest on funded debt (2)	(3,095)	(15,833)	(5,103)	(959)	—	—	(24,990)	(24,833)
Depreciation and amortization (2)	(2,758)	(23,172)	(4,828)	(3,224)	—	—	(33,982)	(32,332)
<b>Net Income (loss)</b>	<b>\$ (5,902)</b>	<b>\$ 18,155</b>	<b>\$ (11,821)</b>	<b>\$ (4,111)</b>	<b>\$ 15</b>	<b>\$ 17,583</b>	<b>\$ 13,919</b>	<b>\$ 21,168</b>

\* Development includes activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.

(1) Expensed under Trust Agreement, not an expense under GAAP.

(2) Not an operating expense under Trust Agreement, expensed under GAAP.

(3) Pension cost is greater under Trust Agreement than under GAAP.

(4) Equipment is depreciated under GAAP but not under Trust Agreement.



### Notes C. Cash, Cash Equivalents and Investments

The following summarizes the Authority's cash, cash equivalents and investments at June 30, 1991 by the various funds and accounts established under the Trust Agreement with the Authority's bondholders. (Credit enhancement and deferred compensation are also included).

Use defined for specific purposes:	Cash and Cash Equivalent	Investments	Assets whose use is limited	Total
			Cash, Cash Equivalents & Investments	
(in thousands)				
1978 Debt Service Fund			\$ 40,518	\$ 40,518
Operating Fund	\$ 2,289			2,289
Self-insurance Account			14,074	14,074
Maintenance Reserve			65,839	65,839
Payments In Lieu of Taxes			2,931	2,931
Capital Budget			59,428	59,428
Improvement and Extension Fund	9,332	2,307	502	12,141
1985 Interest and Sinking Fund			12,161	12,161
1988 Interest and Sinking Fund			11,953	11,953
1988 Construction Fund			5,352	5,352
1990 Interest and Sinking Fund			8,155	8,155
1990 Construction Fund			69,107	69,107
Credit Enhancement Account (Note H)			9,700	9,700
	\$11,621	\$ 2,307	\$ 299,720	\$ 313,648
Deferred Compensation (Note G)			7,105	7,105
	\$11,621	\$ 2,307	\$ 306,825	\$ 320,753

At June 30, 1991, the carrying amount of the Authority's cash deposits was \$4,248,802, and the bank balance was \$11,123,183. The nature of the reconciling items between the book and bank balance consisted primarily of outstanding checks which had not cleared the bank at year-end. Of the bank balance, \$287,670 was covered by federal depository insurance, and \$10,835,513 was uninsured and uncollateralized.



## Notes to Financial Statements

### Notes C. Cash, Cash Equivalents and Investments, continued

The following summarizes the Authority's cash and investments by type held at June 30, 1991.

	Carrying Amount	Market Value (in thousands)
Certificates of Deposit	\$ 103	\$ 103
Repurchase Agreements	13,751	13,751
U.S. Government Securities and Agencies:		
Treasury Notes	48,621	49,020
Treasury Bills	3,809	3,803
Federal Farm Credit (FFC)	39,156	39,170
Federal National Mortgage Association (FNMA)	20,768	20,969
Federal Home Loan Bank (FHLB)	89,695	90,468
Federal Home Loan Mortgage Corp (FHLMC)	22,588	22,684
Zero Coupon	61,208	61,889
Total U.S. Government Securities and Agencies	\$ 285,845	\$ 288,003
Fidelity U.S. Treasury Income Portfolio (Note H)	\$ 9,700	\$ 9,700
Total investments	\$ 309,399	\$ 311,557
Cash in bank	4,249	4,249
<b>Total</b>	<b>\$ 313,648</b>	<b>\$ 315,806</b>

The Authority is authorized by the Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, in bonds or notes of public agencies or municipalities, in bank time deposits and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's Trustee and Custodian.

U.S. Government securities other than FFC, FNMA, FHLB, FHLMC and Zero Coupon securities are guaranteed by the U.S. Government. The Certificates of Deposit are fully insured by the Federal Depositary Insurance Corporation. Repurchase agreements are collateralized by obligations of the Federal government or agencies of the Federal government. The Trust Agreement requires that securities underlying repurchase agreements must have a market value at least equal to the cost of the agreement plus accrued interest. The Fidelity investment in U.S. Treasuries is a mutual fund and therefore not guaranteed by the U.S. Government.

### Note D. Investments in Facilities and Depreciation

Net investments in facilities at June 30, 1991 and 1990 is comprised of:

	1991	1990 (in thousands)
<b>Facilities completed by operation</b>		
Airports	\$ 660,044	\$ 619,175
Bridge	76,301	73,442
Port	251,035	243,900
<b>Gross investment in facilities</b>	<b>\$ 987,380</b>	<b>\$ 936,517</b>
<b>Facilities completed by type</b>		
Land and land improvements	\$ 111,742	\$ 110,343
Bridge and bridge improvements	73,913	71,770
Buildings	513,606	494,149
Runways and other paving	241,153	217,442
Machinery and equipment	46,966	42,813
	<b>\$ 987,380</b>	<b>\$ 936,517</b>
Accumulated depreciation and amortization	(422,492)	(388,973)
	<b>\$ 564,888</b>	<b>\$ 547,544</b>
Construction in progress	96,805	69,953
<b>Net investments in facilities</b>	<b>\$ 661,693</b>	<b>\$ 617,497</b>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities - buildings, runways and other paving	10 and 25 years
Port facilities - buildings and piers	25 years
Machinery and equipment	10 years



## Note E. Funded Debt

During July 1990, the Authority issued Revenue Bonds, Series 1990-A in the amount of \$90,935,000 to finance the construction of certain capital projects.

The following is a summary of the Authority's funded debt activity for the year ended June 30, 1991:

	(in thousands)
Funded debt, June 30, 1990	\$380,725
New debt issued	90,935
Funded debt retired	(5,965)
<b>Funded debt, June 30, 1991</b>	<b>\$465,695</b>

Funded debt at June 30, 1991 is comprised of the following:

### Revenue Refunding Bonds

Series 1978 (weighted average interest rate of 6.7%)	\$ 36,545
Series 1985 - A & B (weighted average interest rate of 8.5%)	12,835

### Revenue Bonds

Series 1988-A (weighted average interest rate of 7.0%)	23,745
Series 1990-A (weighted average interest rate of 7.0%)	22,800

### Term Bonds

(weighted average interest rate of 7.9%)	369,770
--	---------

**Total Funded Debt** **\$ 465,695**

Funded debt as shown on the balance sheet is net of unamortized discounts of \$1,612,000 and \$881,000 at June 30, 1991 and 1990, respectively.

Scheduled principal payments on funded debt are as follows:

Fiscal Year	Amount (in thousands)
1992	\$ 6,355
1993	7,800
1994	8,310
1995	8,875
1996	9,490
Thereafter	424,865
	<b>\$ 465,695</b>

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 1991, the following bonds outstanding are considered defeased:

	June 30, 1991 (in thousands)
1964 Series	\$ 33,685
1969 Series	48,955
1971 Series	61,895
1973 Series	86,870
1982 Series	52,645
<b>Total Defeased Bonds</b>	<b>\$284,050</b>

## Note F. Pension Costs

In July 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the "Massachusetts Acts of 1978" and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System" (the Plan), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment, the employees' rights and benefits under the state plan were transferred to the new system, and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all full-time employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.



## Notes to Financial Statements

### Note F. Pension Costs, continued

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was approximately \$29,397,000 as of January 1, 1990. Total payroll for Authority employees was \$39,716,000 for the 12 months ended December 31, 1989.

The actuarial cost method utilized to determine contributions to the Plan for the years ended December 31, 1990 and 1989 was the entry age normal-frozen initial liability cost method.

The more significant actuarial assumptions underlying the actuarial computations for the Plan years ended December 31, 1990 and 1989 are as follows:

Assumed rate of return	
on investments	— 8.0% per annum, compounded annually
Nondisabled life	
mortality basis	— 1971 Group Annuity Mortality Table for males and the same table with ages set back six years for females
Employee turnover basis	— Based on actuarial table T-5 from the Pension Actuaries Handbook
Salary escalation	— 6.0% per annum
Retirement	— Age 63 or age as of the valuation date, if later
Retirement benefits	— 2.3% per year of service
Post-retirement cost of living increases	— 4.5% per annum compounded annually

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other Public Employee's Retirement Systems Plans. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1990. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 6% per year, attributable to inflation and merit increase, and (c) post-retirement benefit increases from an assumed cost of living increase of 4.50% annually.

At January 1, 1990, the assets in excess of the pension benefit obligation were \$12,749,968, determined as follows:

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 19,440,966
Current employees	
Employee financed	16,307,952
Employer financed-vested	12,992,184
Employer financed-nonvested	15,196,007
Total pension benefit obligation	63,937,109
Net assets available for benefits, at market value	76,687,077
<b>Assets in excess of pension benefit obligation</b>	<b>\$ 12,749,968</b>

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. The Plan also amortizes the unfunded liability in level amounts over a period of 20 years.

Total contributions to the Plan were \$5,158,003 for the Plan year ended December 31, 1990. This includes employee contributions of \$2,427,503 which are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983 and 8% for employees hired after December 31, 1983 and, effective January 1, 1988, an additional 2% of base pay over \$30,000 for those employees hired after December 31, 1978) and employer contributions of \$2,730,500 which were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed for the Plan's fiscal year beginning



January 1, 1990. Employer contributions consisted of (a) \$1,170,524 normal cost, (b) \$1,321,452 amortization of the unfunded actuarial accrued liability, and (c) \$238,524 funding for operating costs.

These contributions made by the employee and employer during Plan year 1990 represent 8% and 10% of covered payroll, respectively.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Set forth below is a table listing three-year historical year trend information of the Plan.

Plan Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)÷ (2)	(4) Assets in Excess of Pension Benefit Obligation (1)- (2)	(5) Annual Covered Payroll	(6) Assets in Excess of Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) ÷ (5)
1988	54,212,201	50,274,392	107.8%	3,937,809	25,974,904	15.2%
1989	63,150,576	58,913,992	107.2%	4,236,584	25,998,317	16.3%
1990	76,687,077	63,937,109	119.9%	12,749,968	29,397,099	43.4%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the PERS.

Historical trend information for the Plan years 1981 through 1990 designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in the Plan's separately issued financial statements.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs that were determined as of July 1, 1973, over a 25-year period, commencing in 1974. Total pension expense so determined was \$2,339,000 and \$2,299,000 for the years ended June 30, 1991 and 1990, respectively.

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through insurance company contracts. The Authority recognizes the cost of providing those benefits by expensing the insurance premiums when paid. This expense was \$777,000 and \$460,000 for the years ended June 30, 1991 and 1990, respectively.



## Notes to Financial Statements

### Note G. Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were \$7,105,000 and \$5,516,000 at June 30, 1991 and 1990, respectively. These amounts are included in the accompanying balance sheet under the captions "assets whose use is limited" and accounts payable and accrued expenses.

### Note H. Contingent Liabilities and Commitments

**Contractual Obligations for Construction** Contractual obligations for construction were approximately \$90,113,000 at June 30, 1991.

**Interest Rate Swap Agreements** The Authority has entered into an interest rate swap agreement to reduce the cost of fixed rate interest expense on its funded debt (see Note E). At June 30, 1991, the Authority had outstanding an interest rate swap agreement with an underwriter having a notional amount of \$30 million. Under the terms of the agreement, the Authority will receive fixed interest payments of 6.45% beginning in May 1993 through June 1999 and pay interest at a rate that varies with the J.J. Kenney index. This index was 3.89% at June 30, 1991. The agreement can be restructured to avoid any adverse risk to the Authority. The Authority does not anticipate any losses over the term of these agreements.

During fiscal 1991, the Authority terminated two interest rate swaps agreements with an underwriter having a total notional amount of \$50 million.

Interest expense was reduced for net differentials related to interest rate swap agreements by \$691,000 and \$30,000 for 1991 and 1990, respectively.

**Credit Enhancement Agreement** During fiscal 1991, the Authority entered into a credit enhancement agreement in connection with an unrelated partnership's bond issuance. The bonds were issued to provide financing to the partnership (the Borrower) for construction of a conference center and hotel to be located at Logan Airport. The credit enhancement agreement represents a guarantee by the Authority to pay bondholders up to \$9.7 million, only in the event the Borrower does not have sufficient funds (as defined) to meet its debt service requirements. Accordingly, \$9.7 million, has been included under the caption "assets whose use is limited" in the accompanying balance sheet.

In the opinion of the Authority's management, the likelihood of the Authority having to act upon the above guarantee is remote. Accordingly, no amounts have been accrued under the guarantee at June 30, 1991.

In consideration for the Authority entering into this credit enhancement agreement, the Borrower paid a credit enhancement fee of \$300,000 in June 1991. The borrower will also pay fees of \$150,000 per year commencing on September 1, 1993 until termination of the credit enhancement agreement.



## Note I. In Lieu of Taxes

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop. These agreements and annual extensions currently provide for payments aggregating approximately \$6,528,000 to these municipalities, of which \$5,485,000 is subject to annual adjustment through 1994 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from 1994 through 1999, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payment of operating expenses, deposits to the 1985, 1988 and 1990 Interest and Sinking Funds and deposits to the Maintenance Reserve Fund.

## Note J. Litigation

**Landing Fee Refund** In May 1988, the Authority adopted a new landing fee structure for the Airport effective July 1, 1988. The new structure eliminated the use of aircraft weight as the exclusive basis to the fee and substituted a fee consisting of both a weight-based component and a "per landing" component. The new structure was challenged by litigation brought in the United States District Court for the District of Massachusetts and before the United States Department of Transportation ("DOT") by various parties (representing, in general, operators of small aircraft and other similar interests). On December 22, 1988, DOT issued an Opinion and Order in which it found the July 1988 landing fee structure to be violative of certain federal aviation statutes. The Authority rescinded the landing fee structure on December 27, 1988.

In April 1990, a class action was filed with the United States District Court for the District of Massachusetts seeking a refund of amounts allegedly overpaid under the July 1988 fee structure by operators of fixed wing aircrafts, claiming that the July 1988 fee structure resulted in higher costs to them than if a weight-based fee had been employed. Plaintiffs were awarded class certification.

In April 1991, a settlement was reached whereby the Authority was required to make approximately \$2,700,000 available to members of the plaintiff class. In addition, the Authority was required to pay approximately \$200,000 interest assessment to such members. This amount is included in interest expense in the accompanying statements of income. As of June 30, 1991, the Authority has paid approximately \$462,000 of such settlement. The remaining balance

due has been included in the accompanying balance sheet under the caption accounts payable and accrued expenses. The Authority expects recovery of the entire amount of the settlement paid to individual claimants and intends to implement this recovery through pro rata assessments against air carriers that paid lower landing fees during the dispute. Any amounts not recovered from individual air carriers after exercise by the Authority of reasonable recovery efforts may be included in the Logan Airport Landing Fee structure for the 1993 year. Accordingly, approximately \$2,700,000 has been included under the caption prepayments and other assets in the accompanying balance sheet.

**Hazardous Waste** The Authority is co-defendant with Raytheon Corporation in a state court action filed by the Town of Bedford which claims that three drinking water wells owned by the Town were contaminated in 1983 by contaminants from Raytheon's nearby research facility and from Hanscom Field. This case is currently stayed until October 31, 1991. By letter dated November 17, 1986, the Authority's primary insurance carrier, United States Fire Insurance Company, agreed to pay all costs associated with the defense of this suit. United States Fire Insurance Company has reserved its rights concerning coverage.

A related federal court action by Bedford also seeks relief against the United States Air Force and the United States Navy, as well as Raytheon and the Authority. It seeks recovery of all costs associated with cleaning up Bedford's contaminated wells and for damages to natural resources. The Court has dismissed Bedford's natural resource damage claim. This case is currently in the discovery stage. United States Fire Insurance Company has also agreed to pay the Authority's defense costs in this matter and has reserved its rights with respect to coverage.

At this time, the Authority cannot estimate its exposure in either the federal or state court action. The Authority is vigorously defending the legal actions.

In addition, the Authority is a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing all actions and proceedings pending against or involving the Authority, believes that the aggregate liability of loss, if any, resulting from the final outcome of those proceedings will not be material.



## Notes to Financial Statements

### Note K. Leases

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately \$20,193,000 and \$22,431,000 for 1991 and 1990, respectively.

Minimum future rentals, excluding contingent rentals, from noncancelable operating leases as of June 30, 1991 are as follows:

Year	Amount (in thousands)
1992	\$ 18,108
1993	18,002
1994	17,594
1995	16,126
1996	16,241
Thereafter	246,653
	<b>\$ 332,724</b>

### Note L. Related Transactions

In June 1984 the Authority entered into a lease agreement, which expired in June 1990 and was renewed through June of 1995, with The Commonwealth of Massachusetts for office space at the State Transportation Building. Under the terms of the lease, the Authority paid rental fees of approximately \$1,328,000 for the year ended June 30, 1991 to the Commonwealth of Massachusetts. The Authority also entered into a contract, which expired on June 30, 1991 and was renewed through June 30, 1992, to provide building management services for the State Transportation Building. Consideration for these services was \$300,000 for the year ended June 30, 1991. The Commonwealth of Massachusetts also reimbursed the Authority approximately \$795,000 for the year ended June 30, 1991 for direct building management expenses incurred by the Authority and approximately \$5,304,000 for the year ended June 30, 1991 for building expenses paid by the Authority on behalf of the Commonwealth of Massachusetts.



## Properties and Performance, FY91

Gross Revenues, Authority-wide	\$199.8 million
Net Income	\$ 13.9 million

### Logan International Airport, East Boston

Total Passengers	22 million
Domestic	19 million
International	3 million
Total Pounds of Cargo and Mail	786.5 million

### L.G. Hanscom Field, Bedford

Total Operations (Takeoffs/Landings)	218,000
Passengers	6,595

### Tobin Memorial Bridge

Total Vehicle Crossings	23 million
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### The Waterfront

#### Port Industry Facilities

##### Moran Container Terminal, Charlestown

Container Volume	41,146
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##### Conley Terminal, South Boston

Container Volume	34,714
Automobile Processing	31,968

##### Massachusetts Marine Terminal and Former Navy Recreation Property, South Boston

Automobile Processing	41,437
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##### Army Base, South Boston

Plywood Handled	15,092 tons
Cement Handled	78,271 tons

### Waterfront Properties

#### Fish Pier, South Boston

Fish Processed, pounds	26 million
Fish Landed, pounds	13 million

#### Black Falcon Cruise Terminal, South Boston

Total Cruise Passengers	16,515
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#### World Trade Center Boston, South Boston

Exhibition and conference space at Commonwealth Pier leased to private developers.

#### Constitution Plaza, Charlestown

Multi-purpose office and retail space at Hoosac Pier leased to private developers.

#### East Boston Shipyard, East Boston

Leased to private entity for ship repair and marine industrial development.

#### East Boston Piers, East Boston

Warehousing and storage space; development of lobster boat terminal and public park underway.

#### Revere Sugar, Charlestown

Leased to Massachusetts Water Resource Authority.

The Massachusetts Port Authority is an independent revenue bonding authority chartered by the Massachusetts State Legislature and supported by revenues from the facilities it owns and operates.

### Equal Opportunity For All

In support of the basic principles of the Massachusetts Executive Orders, and in compliance with state and federal laws on affirmative action, Massport is committed to a program of effective affirmative action through institutionalized procedures that ensure equal opportunity in its personnel practices, daily operations, and business transactions.



**Massport**

Ten Park Plaza  
Boston, MA 02116-3971  
Tel: (617)973-5500  
Telex: 94-0365  
Fax: (617)973-5611

**Massport/New York City**

Woolworth Building  
233 Broadway, Room 818  
New York, New York 10007  
Tel: (212)608-0775  
Fax: (212)962-6230

**Massport/London**

25 New Bond Street  
London W1Y9HD, England  
Tel: 44(71)495-1978  
Telex: 22248  
Fax: 44(71)409-3053

**Massport/Far East**

New Diamond Building  
4-4 Kasumigaseki 1-Chome  
Chiyoda-Ku, Tokyo 100  
Japan  
Tel: (03)506-9002  
Telex: 2227310 MASPT J  
Fax: (03)506-9003

**Massport/Berlin**

Commonwealth of Massachusetts  
Alt-Moabit 103  
1000 Berlin 21  
Germany  
Tel: (49)30261-6449  
Fax: (49)30211-1890

